CANADA

BUDGET SPEECH

DELIVERED BY

Douglas Charles

HONOURABLE D. C. ABBOTT

MINISTER OF FINANCE

MEMBER FOR ST. ANTOINE-WESTMOUNT

IN THE

HOUSE OF COMMONS

FEBRUARY 19, 1953

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1953

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ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE

Hon. Douglas Abbott (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

He said: Mr. Speaker, last year I began the practice of tabling the budget white paper the day before the presentation of the budget speech. I believe that this procedure met with general approval, and I have followed the same policy this year. I hope that the house as in other years will give unanimous consent to having the white paper printed as part of today's *Hansard*.

With the common consent of all groups in this house the work of this session has been planned so as to begin and conclude our deliberations six or eight weeks ahead of the usual times, so that adjournment can take place well in advance of the date appointed by Her Majesty for her coronation. Consequently it has been necessary to bring down the budget nearly two months before the customary date. Hon. members will appreciate that this makes it difficult to obtain complete information for the year under review. Many of the figures given in the white paper are of necessity the best current estimates and will be subject to change as later information becomes available.

I have again transferred to the white paper the greater part of the general economic review which forms an essential introduction to the budget. Accordingly I shall confine myself this evening to a brief summary of the main features of recent economic developments and of the outlook for the future. Before doing so, however, I hope the house will allow me to pay a brief tribute to the late Dr. W. Clifford Clark.

Under our system of parliamentary government deputy ministers occupy a position which is difficult to explain to those who are not familiar with the actual operation of our political and administrative system. They carry heavy administrative responsibilities, but they are charged with no political responsibility. In the Department of Finance, however, it is particularly difficult wholly to separate administration and public policy. The Minister of Finance accepts full responsibility for all decisions of policy, but the deputy minister must concern himself with an extraordinarily wide and varied range of policy questions, because almost all such questions sooner or later involve revenue or expenditure. The deputy minister has a constant duty to advise, suggest, warn and point out the short and the long-run implications of alternative policies. At the same time the final decisions are not in his hands and he must be ready to carry out and administer whatever decisions are reached.

Dr. Clark for more than twenty years was a great deputy minister. He was always forthright and vigorous in his presentation of the relevant considerations and the implications of whatever matter was under discussion. He was always completely loyal in carrying out whatever decisions were reached. His capacity for work and his tireless devotion to duty were extraordinary. At the same time he was a quiet and unassuming man, who shunned all personal publicity. His personal and intellectual integrity was of the highest order, his appreciation of the public interest and his love of Canada were intense. His technical skill in matters of financial administration held the admiration of all who knew him, not least among them those in other countries who had occasion to consult or negotiate with him. His sudden and unex-

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pected death was a great shock to me and has been a severe personal loss to his many friends in this house. The people of Canada owe him a greater measure of gratitude than they realize. He has left a lasting imprint on the quality of public service in Canada, and his life and work will remain an inspiration to those who follow him.

ECONOMIC TRENDS

Turning now to recent economic developments and the outlook for the future, 1952 has been in most respects a successful year in world affairs. The nations of the free world are in a stronger position than they were a year ago to protect themselves against aggression. The North Atlantic community has achieved an important increase in its defensive strength. Our production lines have begun to turn out in substantial quantity the modern military equipment we need. The defence construction program in western Europe and on this continent is well under way. In Korea, Malaya and Indo-China aggressive communist forces are being held in check. While much remains to be done and we cannot relax our efforts the accomplishments of the past year and the continued development of close co-operation among our allies have provided a more enduring basis for peace and security.

In the economic sphere, there has been a noteworthy reduction in inflationary pressures in many parts of the world. Prices over a wide area have stopped rising and the prices of many of the raw materials, which rose so steeply after the outbreak of the war in Korea, have receded to more normal levels.

There has been a growing recognition of the close relationship between internal financial stability and the balance of payments. The success of many countries in damping down excessive demand internally has brought about a significant improvement in the world exchange situation during the past year. At the end of 1951 the central reserves of the sterling area were falling rapidly, and most sterling countries were running substantial deficits. By the last half of 1952 the reserves were again rising, and at the commonwealth economic conference which the Prime Minister and I attended some two months ago, the representatives of the other commonwealth countries were able to report substantial progress toward their objective of a better balance in their external accounts. These improvements make possible a renewed effort to remove the barriers and restrictions which continue to hamper world trade.

While 1952 saw an abatement of world inflationary pressures and brought some improvement in world trade, international economic relations today are far from satisfactory. Since the war tariffs have been reduced by many countries, but quantitative restrictions, discrimination and inconvertibility of currencies still persist over a wide area.

These continuing difficulties can no longer be ascribed primarily to wartime losses of productive facilities. The efforts of the people of Europe and elsewhere, with the assistance given by North America, have been successful in making good much of the damage caused by the war, and production in most countries is now greater than ever before. By 1950 it appeared that the post-war inflation had about run its course. However, the outbreak of hostilities in Korea caused world prices again to surge upward and brought intensified inflationary pressures and renewed difficulties in trade and payments.

This setback is being overcome but many of the underlying problems remain unsolved. The greater economic stability and the better balance of trade achieved in 1952 now give the nations of the free world a new opportunity to move forward.

The major instruments for international economic co-operation which were drawn up immediately after the war, namely the Bretton Woods agreement and the general agreement on tariffs and trade, envisaged that convertibility of currencies and multilateral trade would have been restored over a large part of the world by now. These agreements have constituted a valuable means of international co-operation and we need constantly to examine the manner in which they can best be used to facilitate a more rapid attainment of our objectives. Moreover, the bindings of tariff items under the general agreement on tariffs and trade, which were last extended by negotiations held at Torquay in 1950, will run out at the end of this year and further negotiations on a wide scale will be necessary to continue them in effect on a firm basis. These are some of the major tasks for the coming year. It is clear that the time has come for new initiatives.

The commonwealth economic conference which was held in London in December made a significant beginning. The conference decided

> That a more positive policy can now be adopted, both by the commonwealth countries themselves and in concert with other friendly countries, to promote expansion of world production and trade.

The commonwealth countries stated that it is their aim

> To secure international agreement on the adoption of policies by creditor and debtor countries which will restore balance in the world economy on the lines of "trade not aid" and will by pro-

gressive stages and within reasonable time, create an effective multilateral trade and payments system covering the widest possible area.

If this beginning is to lead to concrete results, there must be close and continuing co-operation between the important trading nations. No lasting solution can be found, of course, without the active and adequate participation of the United States. Early in March the foreign secretary and the chancellor of the exchequer of the United Kingdom will visit Washington to begin exploratory discussions on a collective approach to trade and currency problems. It is to be hoped that this initiative will lead to constructive action. Canada has participated fully in the commonwealth discussions which have led up to this new approach. I need hardly add that we are prepared to play our full part in any common efforts which are designed to achieve a prosperous and expanding world trade.

We here in Canada over the past decade have experienced a period of growth and prosperity unrivalled in our history. As a nation, we have become accustomed annually to breaking new records in production, foreign trade, investment, employment and income. Each year our people set their sights a little higher; we expect almost as a matter of course that we will do better than we did the year before.

Even against such a background of prosperous growth, 1952 stands out as a remarkable year. Last year I based my budget on the expectation that gross national production would rise to $22½ billion. Actually our gross national output reached $23 billion, an increase of more than 7 per cent in value over 1951. With prices relatively stable, most of this increase was brought about by a greater volume of production. The record wheat crop was an important factor in this increase, but many other industries also achieved substantial gains.

It is necessary to point out that the aggregates of total production in 1951 and 1952 obscure some rather significant changes during both of these years. Production was at a high level in the first part of 1951 but fell off noticeably towards the end. The year 1952 started out from these lower levels, but business picked up very early in the year and a remarkably steady expansion in production took place during the remainder of the year.

The increased output represents an impressive rise in the productivity of the Canadian economy. While the improvement resulting from the record wheat crop may be regarded as largely fortuitous, our people as a whole are beginning to reap the benefits of the enormous investments in new plant, equipment and development that have been made since the war. I might add that the record grain crop could scarcely have been harvested had it not been for the heavy postwar investment by our farming community in labour-saving machinery.

The total of salaries and wages earned by Canadian workers during 1952 rose by 12 per cent, an increase which is considerably larger than the rise in gross national output. For example, the average weekly earnings of labour in nine leading industries were $54.13 in 1952, an increase of $4.52 over 1951.

While production, employment and wages rose in 1952 to the highest levels in our history, it is gratifying to note that prices have not followed a similar rising course. The index of wholesale prices fell by nearly 7 per cent during the year; the index of consumer prices declined by 2 per cent. We have been able to expand our production and income without any apparent renewal of inflation. The strength of our dollar in foreign exchange markets, the fall in world prices of many of the commodities which we import and the general restraint in our monetary and fiscal policy have all contributed to this stability in our general price level.

The rise in labour income, combined with the downward trend of prices, meant that in 1952 most Canadians experienced a substantial improvement in real income. We have had periods of rapid growth before, and periods when our production has risen as sharply as in 1952, but it is difficult to recall a time when we have been able to carry out such a degree of expansion and at the same time maintain a stable price level. 1952 can be justly described as a year of prosperity without inflation.

The stability of prices and the abatement of inflationary pressure made it possible to remove during the year some of the more direct anti-inflationary measures which had been introduced after Korea. Last May the consumer credit regulations were lifted. That same month the Bank of Canada expressed the view to the chartered banks that the special restrictions on bank credit which had been in effect for the previous fifteen months could be removed. Towards the end of the year it was also possible to announce that the deferred depreciation provisions in the Income Tax Act would not apply to property acquired after December 31, 1952. It will be recalled that these regulations were adopted in the 1951 budget as a financial deterrent to expenditure on capital expansion of a less essential nature. It was hoped by this to reduce the competitive bidding up of prices of scarce materials which were required for more essential purposes. The improvement

in the supply situation during 1952, particularly in respect of steel, made the regulations no longer necessary.

The containment of inflation and the stability of the general price level in 1952 have been to me a particular source of gratification. Since I became Minister of Finance nearly seven years ago, I have been faced with many economic and financial problems, but none more serious nor more persistent than that of inflation. It would be foolish indeed for me to predict that this problem has been permanently solved. Our experience in 1952 has shown, however, that those who argued in 1950 that we were in for a siege of indefinite inflation have been just as wrong as the pessimists who since the end of the war have been persistently predicting a new depression.

The annual presentation of the budget is a time for national stock-taking, and I think it is desirable before looking at the prospects ahead to examine some of the basic forces which are operating in the economy. We have had high and rising levels of employment, real income has been increasing steadily, the level of production is at an all-time high. The question we have to consider is whether the dynamic forces which have brought this about are likely to continue.

It is difficult to analyse briefly all the factors which affect the level of economic activity. There are four principal forces that provide the basic demand for a country's output of goods and services. These are the expenditures by individual consumers, the investment in new capital goods, the foreign demand for the country's products, and the combined expenditures of governments on goods and services. Needless to say these groups are interdependent; the level of consumers' expenditures, for example, will depend in part upon the level of income, which is in turn related to the over-all demand for goods.

Possibly the most buoyant element on the demand side in 1952 was the sharp rise in consumption expenditures which began in the early spring. Retail sales in the second quarter of the year were more than 25 per cent above those in the first quarter, and nearly 10 per cent above the same period in 1951. This rate of increase was maintained through the remainder of the year. It is evident that the rise in consumer buying was due to a number of favourable circumstances. In part it represented a reaction from the falling off in sales late in 1951 and early in 1952. The decline in prices and the removal of the credit restrictions also contributed to the pick-up in purchases. Probably most important of all was the steady rise in consumer income throughout the year.

In spite of the very significant rise in consumer spending and retail credit outstanding, there was little apparent change in the pattern of net personal saving as compared with the previous year. In 1951 the net personal saving of Canadians amounted to nearly $1,250 million, or almost 8 per cent of disposable personal incomes. In 1952 it increased to about $1,300 million or 7½ per cent of total disposable incomes. It is noteworthy that the rise in consumer expenditures was financed primarily out of the increased incomes. The rate of personal saving has been maintained and compares most favourably with that of any other country and with previous periods in our history.

Investment in new productive facilities continued unabated through 1952. Natural resource development of a long-range character was again a striking feature. The Kitimat aluminum and Quebec-Labrador iron ore projects were brought closer to completion. New oil pipe lines were being constructed and successful exploration for oil and gas continued at a high rate. It is gratifying that the new discoveries of the past year, including the recent promising finds in New Brunswick, have extended developmental activity to an increasingly wider area of our country. New investment in our manufacturing industry was greater than in any previous year.

While investment in capital goods, equipment, and resource development was higher in 1952 than in 1951, the investment in additional inventories was substantially reduced. The rise in inventories in 1951, amounting to more than $1½ billion, absorbed a large portion of the total increase in national production for that year. The increase in inventories in 1952, however, is estimated to be under $200 million so that almost all of the increase in national production was available for other purposes, including the increased requirements for defence and higher expenditures by consumers.

The use of productive resources for defence was considerably greater in 1952 than in the previous year due to the fact that the production lines for major items such as aircraft, ammunition and electronics were getting into volume production. Except for defence, and purchases in connection with the support of farm prices, there has been virtually no increase in the physical volume of goods and services devoted to the requirements of the federal government.

In 1952 Canada's foreign trade again broke all previous records both in volume and value. Exports were 10 per cent higher in

value than in 1951, and about 12 per cent greater in physical volume. Total imports in 1952 were slightly lower in value than in 1951, owing to a fall of about 12 per cent in the average prices of imports, thus offsetting a similar increase in quantity. In fact, during the past year we experienced a significant improvement in our terms of trade, or the ratio between the prices of the goods we export and the prices of the goods we import. While the prices we pay for our imports declined, the prices of our exports were largely maintained. Taking due account of non-merchandise transactions we had a current account deficit in our balance of payments for 1951 amounting to $524 million. In 1952 we had a surplus of $150 million. The improvement in the terms of trade and the strength of the Canadian dollar were factors of considerable importance in the economy during the past year. These two factors contributed materially to the improvement in our balance of payments and also to the general stability of the price level and the rise in real incomes.

A noteworthy feature of our foreign trade in the past year was the attainment of a wider distribution of markets. Exports to the United States were maintained at the 1951 level, in spite of the embargo on our cattle and meat exports which prevailed through most of the year. A somewhat larger proportion of our exports than last year went to the sterling area. Sales to the United Kingdom increased by about $100 million. However, our exports to all other overseas countries, including Latin America and continental Europe, increased by more than $200 million or over 25 per cent during the past year. Our sales to the world outside the United States and the commonwealth made up nearly one-fourth of our total exports, equal to the highest proportion in our history. For example, exports to Latin America, recently visited by my colleague the Minister of Trade and Commerce (Mr. Howe), amounted to $272 million in 1952, more than double our exports to that area in 1949.

The improvement in our balance of payments contributed to the strength shown in the Canadian dollar during the year. From a position of approximate parity with the United States dollar in the first two months of the year, the Canadian dollar rose to a premium of about 4 per cent in September, and then fell off slightly to a premium of about 3 per cent at the end of the year.

The other major factor in the exchange market was the movement of capital across our borders. The inflow of capital for direct investment in oil and mineral development and for the building of new industries was maintained. The inflow derived from the placing of new issues of Canadian securities in the United States, less the retirements of existing issues, was also substantial, although somewhat below the 1951 level. At the same time there was a large outflow of other forms of capital from Canada induced in part by the premium on the Canadian dollar. The outflow resulted mainly from the sales by non-residents of outstanding Canadian securities, and from the shifts in commercial accounts and balances. Taking all capital movements together, long-term and short-term, we were a net exporter of capital in 1952. In effect the total savings inside the country, taken as a whole, were more than equivalent to the expenditures on our entire domestic investment program.

The combined result of our current account surplus and the net outflow of capital is reflected in the movement in our exchange reserves, which rose by $81 million over the year to a level of $1,860 million at December 31, 1952. As I have stated before, our policy has been to allow the exchange rate to be determined by the normal play of economic forces without official intervention, except to ensure orderly conditions in the foreign exchange market. No attempt is made to reverse persistent trends, but only to smooth out excessive short-run fluctuations.

Although the over-all picture of the Canadian economy in 1952 was highly favourable, the past year was not without its problems and difficulties. The outbreak of foot-and-mouth disease and the ensuing embargo on cattle and meat exports to the United States seriously disrupted the livestock industry. The government took measures to relieve the effects of this disaster by compensation payments and by purchases of meat under the Agricultural Prices Support Act. In addition special arrangements were made for the shipment of Canadian meat to the United Kingdom in exchange for New Zealand meat which was diverted to the United States. The thorough measures which were taken to stamp out the disease have been successful and it is expected that the normal market outlets will shortly be re-established.

In the early part of the year some of our industries were affected by a falling-off in demand for their products, notably textiles and consumers' durable goods. However, the pick-up in domestic business and a more buoyant export demand brought about a significant improvement in the position of most of these industries in the latter half of the year, which has since been maintained.

I now wish to turn to the outlook for 1953. If we look first to the prospective level of

capital investment, present indications are that expenditures on the expansion of industry and the development of resources will continue at a high level. The level of activity in the construction industry generally will be affected favourably by the removal of the regulations regarding deferred depreciation, and by the rise in the number of housing starts which is indicated.

The demand for our exports depends upon business conditions and circumstances in other countries, particularly in the United States. It is, consequently, difficult to forecast, but well-informed opinion seems agreed on a continuing high level of activity in the United States for the near future which should sustain demand for our products in that important market. In respect of overseas countries our main exports consist primarly of essential goods and materials which should continue to be in a favourable competitive position.

The general increase in consumer expenditures which took place during 1952 has been sustained during the early part of this year. This increase appears to have been based primarily on a substantial rise in real personal incomes. With labour and other incomes at present running well above the 1952 average, there is strong ground for expecting a continued high level of consumer demand in 1953.

Translating these prospects into monetary terms, I think that we can look forward with some confidence to a gross national product in 1953 greater than the $23 billion achieved in 1952. I based my last budget on an anticipated increase in physical output of 4 or possibly 5 per cent. The record grain crop pushed the actual increase up to around 6 per cent. This is the third successive year in which the expansion in volume of total production was of the order of 6 per cent. In the three years since the beginning of 1950, the total output of our economy has increased by nearly 20 per cent. In trying to assess the prospective increase in production in 1953 we can get some guide from the index of industrial production which for the last quarter of 1952 was from 5 to 6 per cent above the average for the year as a whole. If industrial activity continues at about this rate through 1953, total non-agricultural production would be substantially higher than in 1952. On the other hand, we cannot assume another record grain crop. If we make the usual assumption of an average crop, total agricultural production would be lower than it was in 1952.

Taking all these factors into account I am basing my budget on the expectation that gross national product in 1953 will be in the neighbourhood of $24 billion, an increase of about 4 per cent. I expect this increase will consist very largely of an expansion in the physical output of goods and services since prices are now below the average for 1952. My estimate assumes, of course, that we will not experience extensive crop failures nor serious industrial work stoppages.

GOVERNMENT ACCOUNTS 1952-53

I turn now to a brief review of the government accounts for the year which will end six weeks hence. These are set out in the usual comprehensive detail in the white paper tabled yesterday. As explained there, it is not possible at this date to estimate our year-end position with the usual degree of accuracy. At the time we had to go to press we had final figures to the end of December only, preliminary figures for January, but only forecasts for February, March and the March supplementaries.

The over-all results can be briefly stated. Our total budgetary revenues are expected to amount to $4,375 million, our expenditures $4,327 million and our surplus $48 million.

Our total tax revenues will be $4,010 million which is $31 million greater than I had forecast a year ago, and this amount, roughly the equivalent of our additional tax receipts this year arising out of the Ontario tax rental agreement, differed from the forecast by only three-quarters of 1 per cent. Non-tax revenues and special receipts and credits were $64 million greater than my forecast. $45 million or nearly three-quarters of this excess, has arisen by our taking into revenue this year one-half of our balance in the provincial corporation tax suspense account. This suspense account is still subject to considerable adjustments as final tax assessments on corporations are completed during the coming year, but I have felt it right to bring half the amount into revenue this year, and bring all or most of the remainder into revenue next year.

Our expenditures this year will be $4,327 million, which is $57 million or about $1\frac{1}{4}$ per cent more than I had forecast. Two large items have come into our expenditures this year for which I could make no provision in the forecast which I made in the budget a year ago. One is the payment of $123 million to Ontario under the tax rental agreement signed in October. The other is the $42 million which is our estimate of losses which should be taken into this year's accounts in connection with our price support policy for beef and pork which in turn was a result of the difficulties ensuing from the outbreak of foot-and-mouth disease last spring. But for

these two items our expenditures would have been about $110 million less than my forecast, which in turn is largely the result of the defence program having been unable to get delivery of all the equipment and material expected.

The surplus of $48 million represents just about 1 per cent of our total revenues. In other words we came about as close to a virtual balance of revenue and expenditure as is possible in dealing with the magnitudes reflected in our budget. I should, of course, remind the house that neither our revenues or our expenditures include the payments into and out of the old age security fund.

I am not going into much greater detail of our expenditures and revenues. These, so far as they are available, are fully disclosed in the white paper. The increase in expenditure, compared with the previous year is $594 million, but if we have regard to the change in the treatment of our interest payments from a cash to an accrual basis, the proper comparable figure is about $680 million. In round figures national defence expenditures increased $490 million, subsidies and tax rental payments to the provinces increased $210 million, the service of the debt $20 million, family allowances and veterans' benefits $40 million, and agricultural prices support expenditures $40 million. These major items total $800 million of increased expenditure.

On the other hand the new old age security system has relieved the budget of $110 million, there is a decrease of $70 million in our special contribution to the civil service superannuation fund, and the disappearance of the deficit for the Canadian National Railway has saved us about $15 million. These major reductions add up to $195 million.

This means that all other government expenditures for all other purposes have increased $75 million during the year. These increases have been due chiefly to higher salary and wage scales and higher costs of materials and construction, some increases in services supplied and further increases in our projects of scientific and resource development.

The government has not relaxed its efforts toward maximum economy and efficiency in all government operations. There is and there always will be room for further improvement, and we shall continue to press our efforts in this direction. We are, for example, this year inaugurating a suggestion awards plan in the civil service which we are confident will, over the course of time, result in many major and minor improvements in efficiency of operation and will contribute to still further improvement in the morale and esprit de corps of the public service.

On the revenue side tax receipts are $350 million higher than a year ago and total revenues are up about $400 million. The principal increases, in round figures, are personal income taxes up $210 million, or 22 per cent, corporate income taxes up $100 million, or 9 per cent, commodity taxes up $40 million, and special receipts and credits up $40 million. Of our total revenues 58 per cent have come from direct taxes, 34 per cent from indirect taxes and 8 per cent from non-tax sources.

As usual I want to say a word about our over-all cash position. Apart from and outside the budget we have had to find the very large sum of $625 million for a variety of loans, investments and advances. These are all set out in detail in the white paper. The large items are $125 million to the Canadian National Railway, $65 million for agricultural price support inventories, $75 million to Central Mortgage and Housing Corporation, $50 million to the exchange fund, $35 million to the defence production revolving fund and $100 million to the old age security fund.

To meet this cash requirement for $625 million outside the budget we have had available about $450 million from non-budgetary sources. The most significant items are receipts of $65 million from repayment of loans, and of $170 million in accumulations in various pension and annuity accounts. Full details will be found in the white paper.

To sum up, our non-budgetary receipts were $178 million less than our non-budgetary outlays. We have our budget surplus to apply against this, leaving a remaining cash requirement of $130 million. To meet this cash requirement we have increased our funded debt on balance $141 million, which means we will end up the year with $11 million more cash on hand than we had at the beginning.

This leads me to our operations in the field of the public debt. Again I am using round figures; the exact amounts are detailed in the white paper. During the year our gross liabilities increased by $275 million, our net active assets increased by $325 million, which means that our net debt declined by about $50 million which is of course, the amount of our surplus. During the year we issued new securities in the very large amount of $3,330 million and we paid off old securities in the amount of $3,190 million, or as I said a moment ago we had a net increase of $140 million in our funded debt.

Our net debt still stands at a high figure in absolute terms but thanks to the reductions we have been able to make during the past 7 years and thanks to the rapid increase in our national productivity it now represents a much more tolerable burden than at the close of the war. I should like with the permission of the house to insert here in the record a short table showing our net debt at the end of each year since 1939, and also showing it in per capita terms and as a percentage of our annual gross national product.

Table I

Net debt of Canada, 1939-1953

As at March 31	Net Debt (In millions of $)	Net Debt Per Capita	Net Debt as a Percentage of Gross National Product
1939	$ 3,153	$ 280	60·2
1940	3,271	287	57·3
1941	3,649	317	53·1
1942	4,045	347	47·5
1943	6,183	524	58·7
1944	8,740	732	78·2
1945	11,298	936	94·5
1946	13,421	1,092	113·3
1947	13,048	1,040	108·5
1948	12,372	965	89·9
1949	11,776	899	75·4
1950	11,645	849	70·7
1951	11,433	816	62·8
1952	11,185	775	52·1
1953	11,137	752	48·5

I commend this table to the attention of hon. members who will see that while our total net debt has declined by 17 per cent since 1946, the per capita debt has fallen from $1,092 to $752 or 31 per cent. In 1939 our net debt was equal to 60 per cent of our gross national product for that year, in 1946 it was 113 per cent of our gross national product, and it now stands at only 48 per cent. To put it in more realistic terms, our 1939 debt represented 31 weeks of the nation's output, in 1946 it was about 60 weeks, but today's debt could be covered by the product of 25 weeks' work. The real burden of our debt has been considerably more than halved over the past 7 years.

As hon. members know, interest rates have risen over the past two years and that has had its reflection in the average interest rate paid on the total funded debt. Two years ago this average was 2·60 per cent, last year it was 2·67 per cent, and this year it will average 2·76 per cent.

FORECAST OF REVENUE AND EXPENDITURE FOR 1953-54

So much for last year. I turn now to my forecast of revenue and expenditure for the year that will begin on April 1 next.

I said earlier this evening that I expect our present level of prosperity to continue throughout this calendar year and I expect a continuation of about the present rate of industrial and general economic expansion. I came to the conclusion that, assuming average crops, we can look forward to a 4 per cent growth in total national output. On these assumptions I expect that our present tax structure would bring in total revenues in the coming year amounting to $4,710 million. I should like to ask, Mr. Speaker, for unanimous consent to insert in *Hansard* at this point the usual table showing the constituents of this total.

Table II

Forecast of Tax Revenues
(Before tax changes)

	Fiscal Year 1953-54 (Forecast)	Fiscal Year 1952-53 (Actual Preliminary)
	(millions of dollars)	
Personal income tax	1,350·0	1,187·7
Non-resident income tax	55·0	54·0
Corporation income tax ..	1,325·0	1,231·1
Succession duties	40·0	38·0
Customs import duties ..	395·0	379·0
Excise duties	280·0	257·0
Sales tax	590·0	568·0
Other excise taxes	300·0	284·0
Miscellaneous taxes	10·0	11·5
Total tax revenues...	4,345·0	4.010·3
Non-tax revenues	290·0	283·8
Total ordinary revenues	4,635·0	4,294·1
Special receipts and credits	75·0	80·5
Total budgetary revenues	4,710·0	4,374·6
Old Age Security Taxes:		
2 per cent sales tax ..	148·0	142·0
2 per cent individual income tax	82·0	45·2
2 per cent corporation income tax	50·0	36·9
	280·0	224·1

On the expenditure side I have already tabled the main estimates which total $4,405 million of budgetary expenditure. These estimates have been prepared with the greatest possible care, but there will be, as always, the inevitable supplementaries. There are likely to be some further losses in respect of government holdings of beef and pork which will not have been sold before the end of this fiscal year, and I would think it prudent at the end of the year to set aside some further modest reserve against our active assets. On the other hand there is certain to be some lapsing of authorized expenditure, though with the increasing care

with which the estimates are compiled and screened this is not likely to be as great as we have experienced in some earlier years. All in all, I have come to the conclusion that our total expenditure next year will be about $4,450 million.

With prospective revenues of $4,710 million and expenditures of $4,450 million our present tax structure would yield a budget surplus of $260 million in the coming year.

Before going on to discuss our tax policy, I should inform the house of our probable position on non-budgetary account in the coming year. Apart from and outside the budget we shall have to find cash for loans, investments and advances. The largest items here are likely to be loans to the Canadian National Railways and to Central Mortgage and Housing Corporation, and I expect the revenues in the old age security fund will still fall short of payments, although by a smaller amount than this year. On the other hand, there will again be non-budgetary receipts mainly from loan repayments and from the various pension and annuity accounts. It is not feasible to estimate what changes, if any, there may be in the exchange fund and in the year-end amount of cheques outstanding and other float items. Apart from this, it would appear that our net non-budgetary requirements, excluding funded debt transactions, may be about the same as in the current year, that is of the order of $175 million.

TAX POLICY AND TAX CHANGES

With the economic outlook and the budget prospects as I have just stated them, I have had to decide what tax policy for the coming year best fits these circumstances.

Two years ago, when it became clear that our own interests required us to assume an important role in a collective program for ensuring international security, we approached the financial problem with vigour and determination. We had to frame a policy, severe though it might be, which would carry us through this difficult period, and it was bound to affect the every-day lives and fortunes of all of us. This has been done. The result is that a large part of the productive resources of the country, instead of being available to turn out goods and services for immediate enjoyment and use, has been used to meet the threat of aggression. I think no one who knows the facts, either in this country or elsewhere, will accuse this government of having shirked the task of imposing the taxes necessary to pay for our major undertakings in the field of defence. We have insisted on balancing our accounts. To have done less would have been both imprudent and dangerous. The tax measures adopted in the fall of 1950 and in the spring of 1951 were designed to build a revenue structure which would support the added burden of the defence program, and they have done so.

A year ago, upon re-examining this revenue structure it seemed desirable to remove certain anomalies in the income tax structure and to give some relief where needed in the special excise tax structure. In doing this we had to forego revenue which on a full year basis would have amounted to about $146 million. Fortunately there was leeway enough to enable this to be done and still anticipate a balanced budget. As it turned out the results for the year, as I stated a few minutes ago, were very close to the estimates made a year ago, our tax revenues being within three-quarters of 1 per cent of our forecast.

For the coming year I propose to follow this same policy of budgeting for a balance. This means, from the figures I gave a few moments ago, that something close to $250 million can now be devoted to tax relief. That this can be done in spite of the estimated increase in the coming year of about 3 per cent in total expenditures is, I think, a great tribute to the Canadian people.

In a very real sense this surplus for tax reduction is the direct result of increased production, efficiency and plain hard work on the part of a united Canadian people. Here is a real social dividend, not one that has been conjured up out of thin air, but one that has been well and truly earned by our people. Greater productivity, increased efficiency and a willingness to work hard and vigorously for good wages, salaries and profits—these are the things that power our country today and make possible this surplus for tax relief.

INCOME TAX CHANGES

With about $250 million available for tax relief it seemed desirable that a substantial portion of this should be applied to easing the strain of the personal income tax. Income tax rates if too high can do harm in many directions. Tax laws should avoid placing too great a penalty on successful effort. Every reasonable incentive should be given to people to work hard, move to better-paid jobs, take risks and expand their businesses without keeping one eye continually on the tax-gatherer. This is particularly important in a growing and expanding country such as ours where there is so much to be accomplished.

Two years ago the house will recall the income tax was increased by means of a 20 per cent surcharge which I stated at

that time was a temporary measure. Last year in discarding the surcharge device and in revising the rate structure about two-thirds of the full weight of this surcharge was built into the new schedule of rates. It is now proposed to drop this remaining portion of the surcharge entirely. This proposal will be given effect to simply by repealing the present rates and re-enacting the 1950 rate schedule upon which the 20 per cent surcharge was originally imposed. The effect of this change will be that the average taxpayer will have his personal income tax reduced after July 1 by a little more than 11 per cent. This reduction, of course, does not apply to the old age security tax which stands unchanged.

Because we are on the pay-as-you-go system the present rate of the withholding from wages and salaries will have to remain in force for several months before changes can be introduced; accordingly the change-over giving effect to the tax reduction will, as usual, be made in the middle of the year. From July 1 onward the income tax deducted from the wages and salaries will be reduced for the average taxpayer by about 11 per cent.

Since the reduced rates will have been in force for only six months in this calendar year the average individual's tax bill for the year as a whole will reflect, of course, only one-half the full reduction. The full rate of reduction, however, will as I said, be reflected from July on. It is estimated that on a full year basis this change will cost in revenue about $155 million, and for the coming fiscal year about $87 million.

With the consent of the house I am placing on *Hansard* the usual tables showing the income tax payable

(1) for the calendar year 1952;

(2) for the calendar year 1953 if no changes were made;

(3) for the calendar year 1953 with the new rates in force;

(4) for a full twelve month period after the new rates are in force.

TABLE III

Effect of Proposed Income Tax Changes

Single Taxpayer

Income	Tax paid for 1952	1953 tax at existing rates before proposed change	Tax for 1953 (6 months at present rates and 6 months new rates)	Tax in full year at new rates
$	$	$	$	$
1,000	....	....	....	....
1,200	35	34	32	30
1,500	88	85	80	75
1,800	140	136	128	120
2,000	175	170	160	150
2,250	225	218	205	193
2,500	274	265	250	235
2,750	323	313	295	278
3,000	372	360	340	320
3,500	484	470	443	415
4,000	596	580	545	510
5,000	820	800	750	700
7,500	1,487	1,450	1,360	1,270
10,000	2,301	2,250	2,105	1,960
20,000	6,951	6,750	6,355	5,960
30,000	12,371	11,950	11,305	10,660
50,000	25,195	24,354	23,084	21,814
75,000	42,965	41,554	39,409	37,264
100,000	61,960	60,004	56,859	53,714
200,000	145,880	141,404	133,909	126,414
400,000	327,570	318,344	300,729	283,114

NOTE (1) The old age security tax of 1 per cent of taxable income (maximum tax $30) in 1952 and 2 per cent of taxable income (maximum tax $60) in 1953 is payable in addition to above amounts.

(2) In calculating the above taxes it has been assumed that where incomes are in excess of $30,000, that part of income which is in excess of $30,000 is from investments, but no account has been taken of the tax credit for dividends from Canadian corporations.

TABLE IV

Effect of Proposed Income Tax Changes

Married Taxpayer—No Dependents

Income	Tax paid for 1952	1953 tax at existing rates before proposed change	Tax for 1953 (6 months at present rates and 6 months at new rates)	Tax in full year at new rates
$	$	$	$	$
2,000	....	....	....	....
2,250	44	43	40	38
2,500	88	85	80	75
2,750	132	128	120	113
3,000	175	170	160	150
3,500	274	265	250	235
4,000	372	360	340	320
5,000	596	580	545	510
7,500	1,206	1,175	1,103	1,030
10,000	1,946	1,900	1,780	1,660
20,000	6,431	6,250	5,880	5,510
30,000	11,796	11,400	10,780	10,160
50,000	24,565	23,754	22,509	21,264
75,000	42,280	40,904	38,784	36,664
100,000	61,220	59,304	56,184	53,064
200,000	145,060	140,604	133,159	125,714
400,000	326,690	317,484	299,924	282,364

NOTE (1) The old age security tax of 1 per cent of taxable income (maximum tax $30) in 1952 and 2 per cent of taxable income (maximum tax $60) in 1953 is payable in addition to above amounts.

(2) In calculating the above taxes it has been assumed that where incomes are in excess of $30,000, that part of income which is in excess of $30,000 is from investments, but no account has been taken of the tax credit for dividends from Canadian corporations.

TABLE V

Effect of Proposed Income Tax Changes

Married Taxpayer—with Two Children Eligible for Family Allowances

Income	Tax Paid for 1952	1953 Tax at existing rates before proposed change	Tax for 1953 (6 months at present rates and 6 months at new rates)	Tax in full year at new rates
$	$	$	$	$
2,300	...	...	...	...
2,400	18	17	16	15
2,500	35	34	32	30
2,750	79	77	72	68
3,000	123	119	112	105
3,500	215	208	196	184
4,000	313	303	286	269
5,000	529	514	484	453
7,500	1,129	1,100	1,032	964
10,000	1,854	1,810	1,696	1,582
20,000	6,275	6,100	5,738	5,375
30,000	11,624	11,235	10,623	10,010
50,000	24,376	23,574	22,337	21,099
75,000	42,075	40,709	38,597	36,484
100,000	60,998	59,094	55,982	52,869
200,000	144,814	140,364	132,934	125,504
400,000	326,426	317,226	299,683	282,139

Note (1) The old age security tax of 1 per cent of taxable income (maximum tax $30) in 1952 and 2 per cent of taxable income (maximum tax $60) in 1953 is payable in addition to above amounts.

(2) The above figures show the actual income tax liability of a taxpayer with family allowance children but in order to arrive at his true net position the amount of family allowances received for his children must be offset against his tax liability.

(3) In calculating the above taxes it has been assumed that where incomes are in excess of $30,000, that part of the income which is in excess of $30,000 is from investments, but no account has been taken of the tax credit for dividends from Canadian corporations.

For some years I have expressed concern over the high level of taxes on corporate profits. It seemed appropriate, therefore, that part of the amount available for tax abatement should be applied in this direction. At present the tax, excluding the old age security tax of 2 per cent, takes 20 per cent from the first $10,000 of profit, and 50 per cent from the excess over $10,000. In the first place it is now proposed to increase from $10,000 to $20,000 the bracket to which the low rate applies. This, it seems to me, is a useful way to give relief to relatively small businesses which generally have to do their financing out of their own earnings.

While by far the greater part of our corporation tax revenue comes from large corporations, the small corporations are by far the most numerous. All corporations, of course, both large and small, will be affected by this widening of the low tax bracket. It is estimated that as a result of increasing the $10,000 figure to $20,000 fewer than 30 per cent of our corporate taxpayers will in future be paying the standard rate of tax or, stated another way, about 70 per cent of corporate taxpayers will pay not more than the low rate on all their profits.

My second recommendation in this field is for a moderate reduction in tax rates. I propose reducing the standard rate of corporation tax from the present 50 per cent rate to 47 per cent, and to apply an 18 per cent rate instead of the present 20 per cent rate to the first bracket which, as I have said, will in future be $20,000. As a result of these two changes the new rate structure applying to profits earned on and after January 1, 1953, will be 18 per cent, plus 2 per cent old age security tax, on the first $20,000, and 47 per cent plus 2 per cent on profits in excess of $20,000. It is estimated that as a result of these changes in the corporate tax structure the revenue loss for a full year will be about $120 million, and for the coming fiscal year about $85 million.

In 1949 provision was made in the Income Tax Act for a credit against personal income tax of 10 per cent of the dividends received from Canadian tax-paying corporations. At that time I said this was a first step in dealing with the situation under our present tax structure where, after taxing corporate profits at a very high rate, the individual is required to pay at graduated rates on the dividends paid out of corporate profits. I now propose a second step of the same length and in the same direction. That is to say, for dividends received in the calendar year 1953 and thereafter the tax credit will be increased from 10 per cent to 20 per cent. Canada is fortunate these days in being able to attract enterprising foreign capital. This is desirable and we welcome it. At the same time it would seem to be a good thing if Canadians were encouraged, where they can safely do so, to join in a wider participation of equity ownership in the expanding industrial wealth of our country. This dividend credit of 20 per cent should, I think, be of considerable assistance in encouraging our people to increase their stake in Canada's future. On a full year basis this addition to the tax credit is estimated to cost $20 million in revenue, and $12 million for the coming fiscal year.

During the past year or so there has been considerable discussion in this house and elsewhere regarding the income tax deduction for medical expenses. At present the law recognizes unusual medical expenses, that is, expenses in excess of 4 per cent of the taxpayer's income. The government has been urged to consider removing this 4 per cent floor and, in effect, to allow a deduction for usual as well as for unusual medical expenses. As the house knows, I have given very careful consideration to this widely-supported proposal. Quite recently in speaking on the resolution dealing with this subject, sponsored by the hon. member for Winnipeg North Centre (Mr. Knowles), I gave my reasons for not being able to recommend complete removal of the 4 per cent floor. I shall not repeat these reasons now. At that time, however, I promised to look further into the question of the level of the floor and to consider whether some lowering of it might be justified. My colleague, the Minister of National Health and Welfare (Mr. Martin), has also considered this matter and has carefully reviewed the latest statistical data in this field. From this review he concludes that while the broad field of medical expenses as commonly understood may on the average be at least 4 per cent of income—it is 5 per cent in the United States—it would appear that the range of medical expenses which would qualify for inclusion in the deduction under the Income Tax Act would not on the average exceed 3 per cent of income. On the basis of this further consideration of the data it is now proposed that the 4 per cent floor in the present law be lowered to 3 per cent with effect this year. This move is estimated to cost about $10 million on a full year basis.

There are quite a number of other income tax matters which deserve mention. For example, it is proposed in future to allow parents to claim a deduction for dependent children attending university even though the children are over 21 years of age. The figure of $600 now prescribed as the upper limit of income which a dependent may earn and still be regarded as a dependent will be increased

to $750. Expense allowances for elected municipal officials will be made deductible for income tax purposes if they conform with the limits established in respect of the allowances for federal and provincial elected members, that is, they will qualify to the extent that they do not exceed one-half the amount payable by way of salary, indemnity and other remuneration. Special provision will be made to alleviate the tax on refunds paid out as a result of reorganizations of pension plans. This will apply, of course, in the case of the Canadian National Railway pension plan reorganization which has been of interest to many hon. members.

During the past year certain other features of the income tax have given rise to considerable concern. The subjects are quite technical and, accordingly, they are not appropriate for full elaboration in the budget speech but I should like to comment briefly on some of them. For example, the income tax appeal board in a number of cases involving the sale of tickets for goods or services to be delivered or performed in the future have dismissed appeals against assessments which disallowed claims for certain so-called reserves. In the meantime this general question has been given careful study, and while I cannot here go into all the details I can say that I believe a proper solution has been found for most of the problems of this sort.

The taxation of interest on bonds sold between the dates on which interest is payable has caused some concern in the financial world and various briefs from national organizations have urged consideration of this problem. Amendments will be made which I think will take care of this problem satisfactorily.

Numerous complaints have been received in past months from persons who have incurred considerable tax liability through the acquisition by certain companies of their outstanding preferred shares. Under the law this premium over the par value paid in the purchase price is taxable income to the seller. It has been established that on selling these shares people were not aware of the fact that the issuing company was the actual purchaser of the shares. In order, therefore, to make sure that the law has not operated unfairly in these circumstances it is proposed to repeal, effective January 1, 1949, this provision which places a tax on the shareholder when a company acquires its shares at a premium other than upon redemption after notice. At the same time an amendment will provide that the amount of the premium paid by the company to shareholders upon acquisition during the period covered by the retroactive repeal of this tax on the shareholder will not be allowed as a deduction by the company in computing undistributed income on hand. Where notice is given by a company of the redemption of an outstanding issue the shareholders ordinarily can be expected to govern themselves accordingly.

For the future it is proposed also to repeal the tax on premium received upon redemption of preferred shares. I shall be recommending that henceforth any company paying a premium on redemption or acquisition of preferred shares must charge such premium paid against its tax-paid undistributed income on hand or, alternatively, pay a tax of 20 per cent on the amount of premium so paid to shareholders.

Other recommendations in the income tax field will include the extension for an additional year of the allowances now granted for mineral and petroleum expenses, including the special provision for deep-test wells. Also, an additional year will be added to the period within which, upon coming into production, new mines will be given a three-year exemption.

In addition to the renewal of these allowances there are two new provisions which will be recommended and which, I think, deserve mention here. The first of these is that mining companies be allowed a deduction in respect of oil or gas exploration expenses. This, I think, is a sensible proposition having regard to the similarities in these two fields of natural resource development. For the future, therefore, these two groups will be combined for purposes of the allowances in respect of exploration expenses. It is hoped that the result of this amendment will be greater participation by Canadian capital in the oil and gas industry.

The other proposal in this field is to include among deductible expenses the so-called bonus payments for leases which turn out to have been unproductive. The deduction will be allowed in the year of abandonment of the lease in respect of which the bonus was paid. This provision should considerably improve the competitive position among companies bidding for oil leases in our western provinces.

The income tax amending bill will as usual contain numerous technical changes of which mention cannot be made here. To a large extent these changes follow upon representations from responsible organizations and they are important in keeping our law up to date and as fair as possible.

I shall be proposing no amendments this year to the Succession Duty Act.

FEDERAL-PROVINCIAL RELATIONS

I should now like to say something about the general problem of federal-provincial financial relations, because the budget speech has traditionally been the occasion for reviewing broadly the main problems in the field of financing the services of government.

All federal states are inevitably faced with some conflict of jurisdiction between different levels of government. Just as inevitably the problem, in an ever-changing world, is bound to be a recurring one. No solution can ever be more than temporary. In view of the fundamental changes in the situation facing all levels of government in Canada which have taken place over the past few decades it is not surprising that federal-provincial relations should have thrust up new problems. The wonder is that our confederation instead of breaking down under the strains has gained strength and stability from decade to decade.

May I illustrate what I mean by reviewing the situation confronting the federal government today. The budget I am presenting this evening—a peace-time budget mind you—calls for the collecting and spending of some $4\frac{3}{4}$ billion. Of the main items making up this total, over $2 billion is needed for defence. Interest on the national debt, which can be almost entirely ascribed to past wars, amounts to about $450 million. These two items taken together add up to more than $2\frac{1}{2}$ billion. Together they can be regarded as the price for international security.

The general field of what might be called welfare expenditure absorbs about another billion dollars. This amount can be described as the current bill for social security. Thus, out of total federal expenditures of $4\frac{3}{4}$ billion, $3\frac{1}{2}$ billion, or nearly three-quarters of the total goes towards maintaining either international security or social security. If now we look back to federal budgets of, say, 25 years ago these two items which today absorb $3\frac{1}{2}$ billion, or nearly three-quarters of our total expenditure, were scarcely in the picture at all, or were small according to present-day standards.

If the federal budget of today consisted only of the sort of expenditure which, under the prevailing ideas of only a few short years ago, was regarded as all that was necessary or proper for the federal government to undertake, I could come very close to balancing my budget if I had only at my disposal the traditional nineteenth century sources of the federal government revenue which were liquor, tobacco and customs duties. In such a situation I could probably with safety recommend the complete repeal of all federal income taxes on individuals and corporations. The general sales tax of 10 per cent, and the 15 per cent excise taxes, along with succession duties, could all be wiped out. These fields of taxation then could all be left to the provinces. Under these conditions there would, I think, be no very difficult problems in the field of federal-provincial financial relations.

If the federal government did not have to tax to obtain $3\frac{1}{2}$ billion for defence, welfare and war debts, the tax fields would certainly not be so crowded. There would, I think, be ample room for the provinces, certainly for the more wealthy ones. I am not so sure, however, that even this would enable all provinces to finance their requirements independently of the federal treasury.

I do not believe the majority of the people in any province of Canada would favour discontinuing the present billion dollar nation-wide program of welfare expenditure. Nor do I believe that in any province the majority of the people would have had the federal government do otherwise than embark, in common with other countries, upon a defence program of the present proportions against communist aggression. If I am right in this belief, then it seems to me that the federal government should scarcely be blamed if the expansion of provincial taxation has become more difficult. Of course the extent of federal taxes does make substantial tax increases by provincial governments more difficult. No royal commission is needed to discover this truth. I have good reason to know the sort of problems which provincial ministers of finance have to face, and I think they know that they have my sympathy.

But no group of men at Ottawa is responsible for this problem. It finds its origin in the will of the majority of the people of the ten provinces which, of course, is Canada. No one in Ottawa has any liking for centralization as a principle or objective. No one wishes to deprive provincial governments of their rights or to take over their responsibilities. No one has any desire to aggravate the already difficult problems facing provincial governments which, in common with the federal government, have to meet the rising demands for government expenditure in a democratic country.

The government at Ottawa over the past 20 years has done its utmost to find fair and reasonable solutions from time to time over this period when, because of desperate conditions or swiftly changing events, the old workable pattern of federal-provincial relations has become so obviously inadequate.

In the late 1930's the federal government appointed the Rowell-Sirois commission to

make an exhaustive study of all aspects of federal-provincial relations. This commission made a very thorough and penetrating study and its recommendations were far-reaching. They were found to be not acceptable to the provinces. Perhaps some on re-examining these proposals today would conclude that they were too drastic and did call for a surrender of some provincial jurisdiction.

The rejection of the Rowell-Sirois recommendations of course left the federal minister of finance, the Right Hon. J. L. Ilsley, under the necessity during the desperate days of the early 1940's of speedily improvising some workable compromise for the war period. The good faith of the provinces and their willingness to co-operate in helping to find a proper solution was reflected in their acceptance of the plan embodying the wartime tax agreements.

After the war the problem was still there and the federal government put forward on its own account a comprehensive plan to take up where the wartime tax agreements left off. This plan was also unacceptable to the provinces. Again, it is possible to argue that this post-war plan attempted too much, too quickly. Undoubtedly it did propose a far-reaching overhaul of the status quo not only in revenue fields but in the expenditure pattern as well.

Again Mr. Ilsley had to devise some temporary workable arrangement for the post-war era.

As the house knows, his proposals took the form of optional agreements relating solely to taxes, known popularly as tax rental agreements. The virtue of this approach was that it was not dependent for success on the unanimous acceptance by all provinces. A cardinal principle in the offer was that no pressure, direct or indirect, should be placed on any province to accept an agreement. This has been a fundamental position in the federal government's attitude ever since.

In the present tax rental agreements, an undertaking is given that upon expiry of the agreement the federal government will allow a credit against its corporate income tax equal to 7 per cent of the profits earned by companies in that province. This, of course, is to enable any province to re-impose its own tax up to this 7 per cent level without penalty to corporations in that province. I now propose to increase the 5 per cent tax credit at present being allowed in our Income Tax Act in respect of profits in any province which has not entered into an agreement to this same level of 7 per cent. The general effect of this will be to place corporations in Quebec, which is without a tax rental agreement, on the same basis as those operating in other provinces in respect of the burden of corporate income tax. The loss of revenue to the federal treasury in a full year will be approximately $17 million.

The federal government has, I think, demonstrated its desire to avoid, wherever possible, encroaching upon tax fields used by the provinces. After the war, for instance, we abandoned the taxes on gasoline, amusements, pari-mutuels, and electric power because the provinces were depending upon the use of these taxes. I propose to make a further move of this sort and repeal the federal tax on the transfer of securities, a tax which is also imposed on a parallel basis by the two central provinces.

This will mean a loss of revenue to the federal treasury of some $3 million per annum.

One does not have to study for very long the problem of overlapping tax jurisdictions to realize there is no easy answer. A re-allocation of tax sources between the two levels of government does not seem to be a workable solution. This approach might be helpful if the various tax sources were of equal value to all provinces which, of course, they are not. Accordingly, in giving up tax sources sufficient for the needs of the wealthier provinces, the less well-off provinces would be left without enough to meet their requirements.

Some students of this problem have been attracted by the idea of straight fiscal need subsidies to less well-off provinces as a supplement to some undertakings or arrangements regarding the use of certain tax fields. This double-barrelled system would, I think, imply the unanimous acceptance by all provinces before it could be adopted. This might never be possible. As a matter of fact, I am by no means sure if I were a provincial minister of finance that I would agree to such an arrangement. I am afraid I would find something repugnant in the idea that an outside body—a board, council or commission—would be investigating provincial affairs and determining the size of the fiscal needs for a particular period which amount in turn would be the measure of the federal grant.

In the United States, where they have the same problem to an acute degree, the question of federal-state relations has for many years been the subject of much painstaking study but nothing by way of a general solution has been achieved. In the absence of any over-all plan, the majority of the states levy personal income taxes, corporation taxes and retail sales taxes. It is estimated, for example, that about 60 per cent of the tax revenue of the states is obtained from retail

sales taxes. Those who are at times critical of the Canadian situation might do well to examine the situation which obtains south of the line.

After reviewing what other countries have accomplished, I must say that I think we have done reasonably well in Canada in working out a common-sense method of accommodating federal-provincial financial relations to the major upheavals of the past few decades.

Certain aspects of the tax rental agreements may, perhaps, cause some mild concern to the purely logical mind. The pattern for these agreements is found in no treatise or text book. No royal commission produced the formulae. The provisions of these agreements have been hammered out on the anvil of hard experience. Our approach has been essentially a pragmatic one and our solution is one which does lend itself to the practical realities of the situation in which it must operate.

Mr. Speaker, I am afraid that I may have imposed on the patience and good nature of the house in commenting at such length on this subject. It is an important one, however. It has deep implications for our existence as a federal state. Our national unity must always be built on a foundation which gives practical effect to the constitutional distribution of sovereign powers and administrative responsibilities between the central and the provincial authorities.

I hope that the statement which I have made will have been of some value in clarifying the issues, establishing the facts and in revealing the sincerity of the federal government's desire to work amicably toward reasonable solutions in this field of our relations with provincial governments.

CUSTOMS TARIFF

The budget resolutions relating to the customs tariff which I am tabling contain proposals respecting certain tariff items where reductions in duty are desirable. In a number of cases I am proposing changes in wording and classification which would remove uncertainties, anomalies, and administrative difficultes which have arisen. No increases in duty are proposed.

Reductions in duty are proposed on particular items which enter into the costs of production of our primary industries. I am proposing to add some additional items to the already extensive list of equipment and materials which enter duty free for use in agriculture. Reductions are proposed on two important categories of equipment used in the fishing industry, namely gasoline engines and wire rope. In the case of the mining industry the proposals include reductions on certain specialized equipment.

I am proposing to widen somewhat the existing classifications under which universities, schools and public hospitals may bring in scientific and medical apparatus free of duty. It is proposed also to extend the existing classification which grants free entry to certain articles used for religious purposes. Finally, the customs tariff resolutions contain a proposal for the establishment of a new item under which personal and household goods acquired abroad by members of the Canadian armed forces may be entered free upon their return to Canada under certain conditions which are specified.

COMMODITY TAXES

I now turn to the field of commodity taxes. With some regret I have come to the conclusion that I cannot this year recommend any change in either the general sales tax rate or in the special excise tax rate. Broadly speaking I believe we have achieved in this country a pretty sensible balance in our tax structure between direct and indirect taxes. I am aware, of course, how acceptable it would be if substantial tax reductions could be made in the field of commodity taxes, but it is quite clear that the moderate leeway at my disposal this year will not permit this to be done.

While the general rate structure in these fields must be maintained, a few important changes can be accommodated without too great loss of revenue. A further reduction in the levy on cigarettes seems desirable. It is clear that following the reduction made last year there was a quite definite increase in cigarette sales which, from the point of view of the revenue collector, is very encouraging. Smuggling, I regret to say, is still a difficult problem. I have accordingly decided to recommend that the excise duty, and correspondingly the customs duty, on cigarettes be reduced by $2.00 per thousand which, for a package of twenty cigarettes, means four cents off. Not knowing in advance what

effect this further cut will have on the volume of consumption, or the amount of smuggling, it is impossible to estimate what the revenue loss from this move will be. A fair estimate is that it will not be more than $17 million.

It is proposed to repeal the stamp tax on cheques, money orders and other instruments. This tax is definitely of the nuisance variety and I am sure that only the Minister of Finance, who has to forgo about $12 million of revenue, will mourn its passing.

Another amendment, and one in which I am quite happy to join in acclaiming, will repeal the sales tax on books. I have been impressed with the breadth and sincerity of the representations for this action, and I have been convinced that it would be in the public interest to forgo the modest amount of revenue now received from this source. Concurrently with this repeal of the sales tax on books the tax will likewise be withdrawn from materials used in the production of magazines, books and newspapers. This will eliminate the difficult task we have had to wrestle with in recent years of drawing a clear and acceptable line between newspapers and magazines.

Materials used in the manufacture of the list of foods now included in the schedule of exemptions will be freed from sales tax. Similarly a group of items which along with the so-called "consumable materials" are expended in the process of production will be exempt from sales tax.

All these changes in the sales tax will result in a loss of revenue of about $8 million. As usual it will be provided that all the above commodity tax changes will be effective from midnight tonight. In accordance with standard practice my colleague the Minister of National Revenue (Mr. McCann) has asked me to give notice that no claims for refunds arising out of tax reductions in respect of goods on which tax has been paid will be entertained.

There will be a number of other minor amendments included in the bill amending the Excise Tax Act but these need not detain us here.

There is one further subject on which I have important changes to announce. The government has been seeking a fair and effective source of revenue for the national system of television broadcasting being developed by the Canadian Broadcasting Corporation in accordance with the general policy that was announced by the Prime Minister (Mr. St. Laurent). The government's policy is to have the cost of the national television service paid, as far as that is practicable, by those who benefit from such service. It also wishes the C.B.C. to have a direct source of revenue, on which it can budget over a period, and not to be dependent upon annual appropriations to finance its operations. We wish to emphasize that it is a separate corporate body, under the general control of parliament but not a part of the government.

Television operations have just recently commenced and their development has been financed by loans specifically authorized in the estimates. It is now expected that, in addition to commercial television revenues, the C.B.C. will require about $6 million in the next fiscal year to meet operating costs of television, including interest on loans. This requirement will increase over the next few years, perhaps to about $10 million. Some part of these needs during the development period may properly be met from loans, and paid from future revenues, but we should start now with a plan to provide adequate revenues over the long run.

It is therefore proposed that the Canadian Broadcasting Act should be amended to provide that the corporation should in future receive from month to month the amount of revenue yielded by the present 15 per cent special excise tax on television sets and the picture tubes for such sets, and on such parts and accessories for television sets as are taxable under the excise act. In this way those who buy sets, or the replacement tubes for them, will be providing the basic revenue necessary for C.B.C. television services. In order to make this plan effective, it will be necessary to revise the regulations to provide that tourists returning to Canada may not include as baggage eligible for free entry television sets or the picture tubes for use in them.

Having decided upon this plan in regard to television, we have now come to the conclusion that a similar transfer of the 15 per cent special excise tax revenue can and should be made to assist in financing radio broadcasting, in place of the present licence fee. Although the continuation of this fee had been recommended by the Massey commission, experience has convinced us that it is uneconomical to collect such a small individual fee from such a high proportion of Canadian families, if any satisfactory alternative is open. We believe that payment to the C.B.C. of the amount of revenue received from the 15 per cent special excise tax on radio sets and the taxable parts and accessories for them does provide a satisfactory alternative, at least for the next few years until the present statutory grant for radio broadcasting is reviewed at the

end of its five-year term. Consequently we are proposing that the broadcasting act should provide for this transfer of revenue, as well as that for television, and that the order in council under the Radio Act setting the present licence fees of $2.50 should be revoked with effect from April 1.

I estimate that the amount of revenue to be received by the C.B.C. under these arrangements will be approximately $12 million in the next fiscal year, the amount in respect of radio probably exceeding somewhat that for television. The public will be relieved of paying something over $6 million in radio licence fees, this next fiscal year, and our expenditure in collecting such fees, anticipated at $700,000 in the estimates, will be saved.

SUMMARY OF TAX CHANGES

I am now in a position to summarize the total effect of all these tax changes on the balancing of the budget, and I ask leave of the house, Mr. Speaker, to insert in *Hansard* at this point the usual summary tables.

Table VI

Effect on Revenue of Proposed Tax Changes

	Reduction in Full Year	Reduction in Fiscal Year 1953-54
	(in millions of dollars)	
Personal income tax:		
Reduction in rate Schedules	155	87
Reduction in lower limit for medical expenses	10	1
Increased credit for dividends	20	12
Corporation income tax:		
Reduction in rates	84	60
Increased bracket to which the lower rate applies	35	25
Increased credit for profits earned in provinces not covered by a tax-rental agreement	17	12
Excise duty:		
Reduction on cigarettes	15	15
Excise taxes:		
Repeal of stamp tax on cheques, etc.	12	12
Repeal of security transfer tax	3	3
Repeal of sales tax on various items	8	8
Loss of sales tax revenue as result of lowering excise duty on cigarettes	2	2
	361	237

TABLE VII

Revised Forecast of Revenues for Fiscal Year 1953-54 taking Account of Tax Changes

—	Forecast of revenue from existing taxes	Decrease in revenue from budget proposals	Revised Forecast of revenue for 1953-54
	(in millions of dollars)		
Personal income tax	1,350	100	1,250
Non-resident income tax	55	....	55
Corporation income tax	1,325	97	1,228
Succession duties	40	....	40
Customs import duties	395	....	395
Excise duties	280	15	265
Sales tax	590	10	580
Other excise taxes	300	15	285
Miscellaneous taxes	10	....	10
Total tax revenues	4,345	237	4,108
Non-tax revenues	290	....	290
Total ordinary revenues	4,635	237	4,398
Special receipts and credits	75	....	75
Total budgetary revenues	4,710	237	4,473
Old Age Security Taxes:			
2% sales tax	148	2	146
2% individual income tax	82	....	82
2% corporation income tax	50	....	50
	280	2	278

The net reductions in taxes which I have proposed amount to $237 million in this fiscal year, and to $361 million in a full fiscal year. Radio licence fees have never been treated as part of our tax revenue, but including the dropping of this item the full saving to the public in the coming fiscal year will be about $243 million.

Of the tax reductions in the coming year $100 million is on the personal income tax, $97 million is on the corporate income tax and $40 million is on commodities.

In a full year the reduction in the personal income tax will be $185 million, in the corporate income tax $136 million and in the commodity field $40 million.

My revised forecast shows revenues at $4,473 million. My forecast of expenditures will, however, have to be increased to $4,462 million to take account of the proposed transfer to the C.B.C. On this basis the forecast surplus is $11 million. As was the case last year, this is, of course, budgeting in fact for an even balance.

That, Mr. Speaker, concludes the presentation of my budget. This is the eighth budget which I have had the honour to bring down. The years covered by these budgets have been remarkable years. They have had their difficulties—serious difficulties—yet they have been years of sustained progress unmatched in our previous history. These achievements have been the collective achievements of the Canadian people—rapidly growing in numbers—who have been busy about their own affairs, working, developing and exploring, saving and investing in the future. The task of government in these times has been to promote a healthy climate for sound development, to promote a climate in which both wealth and welfare can flourish, in which we can all enjoy the highest combination of freedom and security in both social and national terms.

The record of this Liberal government in the past four years is one of which we can all be proud. We have expanded and improved our earlier programs of social welfare and we have introduced a sound system of universal old age security. We have provided large financial assistance to improved health services in every province. By our expansion of scientific services and technical surveys we have been steadily rolling back our frontiers. In reply to threats of external aggression we have played a significant role in developing an effective system of regional collective security and we have financed our proper share of its cost. We have balanced our budgets and reduced our public debt. The threatening surge of inflation has been halted, and indeed has been reversed. We have enormously improved, even if we have not wholly solved, the complicated relationships of federal-provincial finance, and we have done this in a growing atmosphere of goodwill and of mutual respect and understanding.

The outbreak of aggression in Korea compelled us for a while to reverse the steady march of tax reductions, but within 18 months we were able to resume our course. A year ago taxes were reduced by $146 million a year. This evening I have proposed further reductions totalling $361 million a year. This makes the very substantial total of $507 million of tax reduction in two years, and means that we have been able to withdraw two-thirds of the additional tax burden imposed in September, 1950, and April, 1951, and still carry our proper share of the costs of collective defence.

This is a record of which I am frankly proud. It is a record of which we can all be proud, but those of us who have consistently supported the policies on which it has been based are perhaps entitled to a special sense of satisfaction.

Mr. Speaker, I shall now table the resolutions which I will move when the house is in committee.

THE INCOME TAX ACT

Resolved that it is expedient to introduce a measure to amend The Income Tax Act and to provide, amongst other things:

1. That for the 1954 and subsequent taxation years the graduated rates of tax at present applicable to income of individuals be reduced by substituting therefor the following graduated rates of tax:

(a) 15 per cent of the amount taxable if the amount taxable does not exceed $1,000,

(b) $150 plus 17 per cent of the amount by which the amount taxable exceeds $1,000 if the amount taxable exceeds $1,000 and does not exceed $2,000,

(c) $320 plus 19 per cent of the amount by which the amount taxable exceeds $2,000 if the amount taxable exceeds $2,000 and does not exceed $4,000,

(d) $700 plus 22 per cent of the amount by which the amount taxable exceeds $4,000 if the amount taxable exceeds $4,000 and does not exceed $6,000,

(e) $1,140 plus 26 per cent of the amount by which the amount taxable exceeds $6,000 if the amount taxable exceeds $6,000 and does not exceed $8,000,

(f) $1,660 plus 30 per cent of the amount by which the amount taxable exceeds $8,000 if the amount taxable exceeds $8,000 and does not exceed $10,000,

(g) $2,260 plus 35 per cent of the amount by which the amount taxable exceeds $10,000 if the amount taxable exceeds $10,000 and does not exceed $12,000,

(h) $2,960 plus 40 per cent of the amount by which the amount taxable exceeds $12,000 if the amount taxable exceeds $12,000 and does not exceed $15,000,

(i) $4,160 plus 45 per cent of the amount by which the amount taxable exceeds $15,000 if the amount taxable exceeds $15,000 and does not exceed $25,000,

(j) $8,660 plus 50 per cent of the amount by which the amount taxable exceeds $25,000 if the amount taxable exceeds $25,000 and does not exceed $40,000,

(k) $16,160 plus 55 per cent of the amount by which the amount taxable exceeds $40,000 if the amount taxable exceeds $40,000 and does not exceed $60,000,

(l) $27,160 plus 60 per cent of the amount by which the amount taxable exceeds $60,000 if the amount taxable exceeds $60,000 and does not exceed $90,000,

(m) $45,160 plus 65 per cent of the amount by which the amount taxable exceeds $90,000 if the amount taxable exceeds $90,000 and does not exceed $125,000,

(n) $67,910 plus 70 per cent of the amount by which the amount taxable exceeds $125,000 if the amount taxable exceeds $125,000 and does not exceed $225,000,

(o) $137,910 plus 75 per cent of the amount by which the amount taxable exceeds $225,000 if the amount taxable exceeds $225,000 and does not exceed $400,000,

(p) $269,160 plus 80 per cent of the amount by which the amount taxable exceeds $400,000 if the amount taxable exceeds $400,000.

2. That for the 1953 taxation year the graduated rates of tax applicable to income of individuals be the average of the present graduated rates and the rates set out in paragraph 1.

3. That with respect to income of corporations earned on and after January 1, 1953, for the present rate of tax of 20 per cent on the first $10,000 of taxable income and 50 per cent on taxable income in excess of $10,000 there be substituted the rate of 18 per cent on the first $20,000 of taxable income and 47 per cent on taxable income in excess of $20,000.

4. That for the 1953 and subsequent taxation years the 10 per cent deduction from tax at present allowed in respect of dividends received from a taxable corporation by individuals resident in Canada be increased to 20 per cent.

5. That the deduction from tax equal to 5 per cent of the taxable income of corporations earned in a prescribed province be increased to 7 per cent of taxable income earned in the province on or after January 1, 1953, by corporations that are not subject to certain special provincial taxes.

6. That for the 1953 and subsequent taxation years the deductions at present allowed in computing taxable income of individuals in respect of medical expenses that exceed 4 per cent of income of the individual be allowed in respect of medical expenses that exceed 3 per cent of income of the individual.

7. That for the 1953 and subsequent taxation years the deductions in computing taxable income of individuals at present allowed in respect of dependent children under 21 years of age be allowed in respect of dependent children of the taxpayer over 21 years of age if they are attending a university.

8. That for the 1946 and subsequent taxation years the provision that excludes expense allowances from income of a member of a provincial legislature be made applicable to expense allowances of elected members of the governing bodies of incorporated municipalities.

9. That the special deduction from income allowed to taxpayers whose principal business is production, refining or marketing of petroleum, petroleum products or natural gas or exploring or drilling for petroleum or natural gas, for expenses of exploring or drilling for oil and natural gas in Canada, be allowed for expenses incurred in the calendar year 1956; and that in addition a similar deduction be allowed to corporations whose principal business is mining or exploring for minerals, for expenses of exploring or drilling for oil or natural gas in Canada incurred in the calendar years 1953 to 1956 inclusive.

10. That the special deduction from income allowed to corporations whose principal business is mining or exploring for minerals, for expenses incurred in searching for minerals in Canada be allowed for expenses incurred in the calendar year 1956; and that in addition

a similar deduction be allowed to taxpayers whose principal business is production, refining or marketing of petroleum, petroleum products or natural gas or exploring or drilling for petroleum or natural gas, for expenses of searching for minerals in Canada incurred in the calendar years 1953 to 1956 inclusive.

11. That the special deduction from income and taxes allowed to taxpayers whose principal business is production, refining or marketing of petroleum or drilling for petroleum, for expenses incurred in respect of deep-test oil wells be allowed to those taxpayers and to taxpayers whose principal business is mining or exploring for minerals, for expenses incurred in respect of deep-test oil wells in 1953 operations.

12. That for the 1953 and subsequent taxation years a taxpayer whose principal business is production, refining or marketing of petroleum or petroleum products or exploring or drilling for petroleum or natural gas or mining or exploring for minerals and who, having entered into an agreement on or after January 1, 1953, to pay an amount, other than a rental or royalty, to a government to acquire the right to take oil, gas or minerals from land in Canada, has paid all or part of the amount and before a well or mine comes into production on the land surrenders the right without receiving consideration therefor or repayment of any part of the amount so paid, be allowed to deduct the amount so paid in computing income for the year in which the right is surrendered.

13. That the exemption of income from metalliferous or industrial mineral mines for the first three years of production be extended to mines coming into production during the calendar year 1956.

THE EXCISE TAX ACT

Resolved that it is expedient to introduce a measure to amend the Excise Tax Act and to provide, amongst other things:

1. That the securities transfer tax be repealed.

2. That the stamp tax on cheques and certain other instruments be repealed.

3. That the sales tax on the following goods be repealed:

(a) books, printed and bound, which contain no advertising and which are solely for educational, technical, cultural or literary purposes, and materials used exclusively in the production thereof, but without limiting the generality of the foregoing, not including directories, price lists, time tables, rate books, catalogues, periodic reports, fashion books, albums, books for writing or drawing upon, nor any books similar to the foregoing exceptions;

(b) school and college year books and materials used exclusively in the production thereof;

(c) materials used exclusively in the production of newspapers;

(d) materials used exclusively in the production of magazines and literary papers unbound, regularly issued at stated intervals, not less frequently than four times yearly;

(e) materials for use exclusively in the manufacture of the goods enumerated in Schedule III under the heading "foodstuffs";

(f) materials which are consumed or expended in the manufacture or production of goods;

(g) friction disc sharpeners;

(h) goods enumerated in Customs Tariff items 436 and 697.

4. That there be imposed, levied and collected an excise tax of fifteen per cent on tires and tubes in whole or in part of rubber, to be used on trailers or other wheeled attachments used in connection with self-propelled machines.

5. That there be imposed, levied and collected an excise tax of fifteen per cent on camera lenses, except those sold for industrial or professional photographers' use.

6. That there be imposed, levied and collected a sales tax of ten per cent and an excise tax of fifteen per cent on candy, chocolate and confectionery payable by persons, firms and corporations who package those goods for sale except where they are packaged by a retailer on his retail premises for sale therefrom to consumers.

7. That any enactment founded upon this Resolution be deemed to have come into force on the twentieth day of February, nineteen hundred and fifty-three.

THE EXCISE ACT, 1934

Resolved, that it is expedient to introduce a measure to amend The Excise Act, 1934, and to provide, amongst other things:

1. That the excise duty on cigarettes weighing not more than two and one-half pounds

per thousand be reduced from six dollars per thousand to four dollars per thousand.

2. That the excise duty on cigarettes weighing more than two and one-half pounds per thousand be reduced from eleven dollars per thousand to five dollars per thousand.

3. That any enactment founded upon this Resolution be deemed to have come into force on the twentieth day of February, nineteen hundred and fifty-three.

THE CUSTOMS TARIFF

1. Resolved, that the Customs Tariff be amended to provide

(a) that "machinery" shall not include motive power which when detached from the machine, will operate, and

(b) that yarns, textiles and manufactures thereof shall not be regarded as being composed in part of specified materials unless those materials constitute over five per cent by weight thereof.

2. Resolved, that Schedule A to the Customs Tariff be amended by deleting therefrom the following enumeration of goods and rate of additional duty of customs:

Cigarettes weighing not more than three pounds per thousand—$2.00 per thousand.

3. Resolved, that Schedule A to the Customs Tariff be further amended by striking thereout tariff items 105c, 173, 272b, 272c, 280(2) and (3), 409c, 409e(i), (ii) and (iii), 409g, 409q, 4101, 410p, 410q, 412, 412a, 436, 440k(1), 442, 442d, 476a, 478, 479, 538, 538a, 538b, 567b, 657a, 681b, 691 and 696, the several enumerations of goods respectively, and the several rates of duties of customs, if any, set opposite each of the said items, and by inserting the following items, enumerations and rates of duty in said Schedule A:

Tariff Item	—	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget Resolution: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
105c	Olives, sulphured or in brine, not bottled..........	Free	Free	30 p.c.	Free	Free	30 p.c.
	On and July 1, 1954	10 p.c.	$17\frac{1}{2}$ p.c.	30 p.c.	10 p.c.	$17\frac{1}{2}$ p.c.	30 p.c.
173	(1) Books which are included in the curriculum of any university, college or school in Canada for use as text books or as works of reference, not to include dictionaries..........	Free	Free	Free	Free	Free	Free
	(2) *Printed books, pamphlets and cards for use in intelligence testing and other articles and materials imported with and specially designed for use with such printed books, pamphlets and cards*..........	Free	Free	Free	Free various	Free various	Free various
	(3) All books for bona fide libraries, and being the property of the organized authorities of such libraries and not in any case the property of individuals or business concerns, under such regulations as the Minister may prescribe..........	Free	Free	Free	Free	Free	Free
	(4) *Single copies of books when sent to a reviewer of books for bona fide review purposes; single copies of books when sent unsolicited and without charge to faculty members of universities or colleges; under such regulations as the Minister may prescribe*.......	Free	Free	Free	Free	10 p.c.	10 p.c.
	(5) Directories for free reference libraries..........	Free	Free	Free	Free	Free	Free
	(6) Books received from free lending libraries abroad, subject to return under Customs supervision within sixty days..........	Free	Free	Free	Free	Free	Free
199j	*Wire reinforced paper tape, printed or not, imported for use in the packaging of fruit, vegetables and other farm or garden produce*..........	5 p.c.	10 p.c.	35 p.c.	$17\frac{1}{2}$ p.c.	25 p.c.	35 p.c.
237	*Isotopes, artificially produced*..........	Free	Free	25 p.c.	Free	15 p.c.	25 p.c.

Tariff Item	----	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget Resolution: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
272b	Petroleum waxes, not including petroleum greases:						
	(1) When imported for use exclusively in the manufacture of candles............................	Free	Free	25 p.c.	Free 15 p.c.	Free 20 p.c.	25 p.c. 25 p.c.
	(2) N.o.p..	15 p.c.	17½ p.c.	25 p.c.	15 p.c. 15 p.c.	17½ p.c. 20 p.c.	25 p.c. 25 p.c.
280	(2) Grease *and oils*, rough, the refuse of animal fat, for the manufacture of soap and oils only..........	Free	Free	Free	Free	Free	Free
403	*(g) Wire rope or cable, coated or not, for use exclusively in commercial fishing operations*....................	Free	10 p.c.	25 p.c.	15 p.c.	25 p.c.	25 p.c.
409c	(1) Ploughs and parts thereof; *plough bolts*..........	Free	Free	Free	Free 7½ p.c.	Free 17½ p.c. and 50 cts. per 100 lbs.	Free 25 p.c. and 75 cts. per 100 lbs.
	(2) Farm or field rollers and parts thereof...........	Free	Free	Free	Free	Free	Free
	(3) Lawn or garden rollers and parts thereof.........	Free	Free	Free	Free	Free	Free
	(4) Soil packers and parts thereof....................	Free	Free	Free	Free	Free	Free
409e	(1) Spraying and dusting machines and attachments therefor, including hand sprayers; *apparatus for the destruction of predatory animals by the discharge of poisonous cartridges; starter cartridges for diesel engines;* apparatus specially designed for sterilizing bulbs; pressure testing apparatus for determining maturity of fruit; pruning hooks; pruning shears; dehorning instruments; parts of the foregoing.......	Free	Free	Free	Free 10 p.c. 10 p.c. 15 p.c.	Free 22½ p.c. 22½ p.c. 20 p.c.	Free 30 p.c. 35 p.c. 25 p.c.
	(2) Fruit and vegetable grading, grating, washing and wiping machines; combination bagging and weighing machines; machines for topping vegetables; machines for bunching and/or tying cut flowers, vegetables and nursery stock; machines for making or lidding boxes for fruit or vegetables; egg-graders and egg-cleaners; *silage caps;* parts of the foregoing..	Free	Free	Free	Free 15 p.c.	Free 20 p.c.	Free 30 p.c.

	(3) Binder twine; wire and twine for baling farm produce	Free	Free	Free	Free Free Free	Free Free Free	Free 25 p.c. 20 p.c.
409g	Incubators for hatching eggs; brooders for rearing young fowl; *poultry sex testers;* parts of the foregoing.	Free	Free	Free	Free 15 p.c.	Free 22½ p.c.	Free 30 p.c.
409q	(1) Auxiliary internal combustion engines incorporated in or attached to, or to be incorporated in or attached to, agricultural implements or agricultural machinery; parts of the foregoing	Free	Free	Free	Free Free	Free Free	Free 30 p.c.
	(2) Electric motors incorporated in or attached to, or to be incorporated in or attached to, agricultural implements or agricultural machinery; parts of the foregoing	Free	Free	Free	Free	Free	37½ p.c.
410l	Coal crushers, ore crushers, rock crushers, stamp mills, grinding mills, rock drills, percussion coal cutters, coal augers, rotary coal drills, n.o.p., and parts of all the foregoing, for use exclusively at mines, at quarries, or in metallurgical operations *or in the beneficiation of non-metalliferous ores*	5 p.c.	15 p.c.	25 p.c.	5 p.c.	15 p.c.	25 p.c.
410p	Sundry articles of metal as follows, for use exclusively in mining and metallurgical operations, viz.: furnaces for the smelting of ores; converting apparatus for metallurgical processes in metals; *apparatus for chemical conversion, extraction, reduction or recovery, n.o.p.;* machinery for the extraction of precious metals by the chlorination or cyanide processes, not to include pumps, vacuum pumps or compressors; blast furnace blowing engines for the production of pig iron; parts of the foregoing	Free	Free	Free	Free various	Free various	Free various
410q	Pumps and vacuum pumps, and parts thereof, for use exclusively in the extraction of precious metals by the chlorination or cyanide processes, *or in chemical conversion, extraction, reduction or recovery in metallurgical operations*	15 p.c.	15 p.c.	20 p.c.	15 p.c. various	15 p.c. various	20 p.c. various
412	Printing presses, of a class or kind not made in Canada for use in the printing of newspapers, telephone directories or periodical publications which, if imported, would qualify for entry under Tariff Item 184a, and parts thereof, not to include saws, knives and motive power; mechanical deliveries or conveyors, *and parts thereof*, for use with *the foregoing* printing presses	Free	Free	Free	Free Free	Free 7½ p.c.	Free 35 p.c.

Tariff Item	—	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget Resolution: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
412a	Machinery and apparatus, n.o.p., viz:— Gun and mould apparatus for making press rollers; Machines and apparatus for making electrotypes and stereotypes; Engraving machines and apparatus, including photoengraving apparatus, and other plate-making apparatus, used in the manufacture of printing plates of all kinds; Machines and apparatus for graining metal plates; Machines and apparatus for sensitizing, grinding or polishing metal plates; Machines and apparatus including cameras and camera equipment, lens, prisms, camera and printing lamps, screens, and vacuum frames for transferring by photographic processes, or direct to plates or rolls for use in lithography, rotogravure and printing; Shading apparatus; Machines and apparatus for addressing and/or wrapping newspapers, magazines, periodicals, pamphlets and catalogues; Machines and apparatus for embossing or stamping or producing embossed or engraved effects, bookbinding, looping, stitching, sewing, gathering, inserting, bronzing, dusting, creasing, scoring, cutting, perforating, drilling, punching, slitting, rewinding, glueing, pasting, gumming, waxing, varnishing, carbon coating, patching, numbering, ruling, jogging, sheet piling, tying, bundling, tube-making, metal mounting, eyeletting, staying or stripping, reinforcing and box-covering; Parts of the foregoing not to include saws, knives and motive power; All the foregoing, when for use exclusively by, and in their capacities as printers, lithographers, bookbinders, manufacturers of stereotypes, electrotypes and printing plates or rolls, paper *or foil* converters, or by manufacturers of articles made from paper, cardboard *or foil*..................................	Free	Free	10 p.c.	Free 10 p.c.	Free 22½ p.c.	10 p.c. 35 p.c.

415a	(iii) ***Refrigerator parts**, of iron or steel or of which iron or steel or both are the component materials of chief value*..........	7½ p.c.	20 p.c.	35 p.c.	10 p.c.	22½ p.c.	35 p.c.
436	Locomotives and railway passenger, baggage and freight cars, being the property or under the control of railway companies in the United States, running upon any line or road crossing the frontier, so long as Canadian locomotives and cars are admitted free under similar circumstances into the United States. under regulations prescribed by the Minister...... Provided, however, that if such locomotives and railway rolling stock are used temporarily in the transportation of goods from a place in Canada to another place in Canada they shall not be entitled to free entry but shall be subject to duty on the rental value or charge made by the United States owner for their use in Canada, *or equivalent thereof* as determined by regulations prescribed by the Minister.	....	Free	Free	....	Free	Free
440k	(1) Engines and complete parts thereof, n.o.p., to be used exclusively in the propulsion of boats or in hoisting nets and lines used in such boats for use exclusively in bona fide commercial fishing operations, under such regulations as the Minister may prescribe..........	Free	Free	15 p.c.	Free 15 p.c.	12½ p.c. 20 p.c.	15 p.c. 30 p.c.
	(3) *Materials and articles for the manufacture or repair of the engines provided for in Items 440k(1) and 440k(2)*	Free	Free	15 p.c.	10 p.c. various	22½ p.c. various	35 p.c. various
442	Articles and materials which enter into the cost of manufacture of the goods enumerated i tariff items 409, 409a, 409b, 409c, 409d, 409e, 409f, 409g, 409h, 409i, 409j 409k, 409l, 409m. 409n, 409o, 409q, *427b(1)* and 439c, when imported for use in the manufacture of the goods enumerated in the afore said tariff items, or in the manufacture of parts therefor, under such regulations as the Minister may prescribe....	Free	Free	Free	Free various	Free various	Free various
442d	Materials, including all parts, wholly or in chief part of metal, of a class or kind not made in Canada, when imported by manufacturers of goods entitled to entry under tariff items *410a (iii)*, 410g, 410L, 410n, 410o, 410p, 410q, 410s, 410u, 410v, 410w, 410x, 410z, 411, 411a, 411b, 427b, 427c, 427f, 428c, 428e, 440k and 447a, for use in the manufacture of such goods in their own factories, under such regulations as the Minister may prescribe..........	Free	Free	10 p.c.	Free various	Free various	10 p.c. various

Tariff Item	—	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget Resolution: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
443d	*Gas control devices of a class or kind not made in Canada, for use on apparatus for heating building or in the gas line between such apparatus and the meter, for the manufacture or repair of, or for conversion to, gas-fired apparatus for heating buildings; parts thereof*........	Free	7½ p.c.	30 p.c.	15 p.c.	22½ p.c.	30 p.c.
443e	(1) *Timing devices for apparatus for cooking or for heating buildings; parts thereof*........................	15 p.c.	22½ p.c.	30 p.c.	15 p.c.	30 p.c.	35 p.c.
	but not less than.......each				....	40 cents.	50 cents.
	(2) Timers for radios and parts thereof.............	15 p.c.	22½ p.c.	30 p.c.	15 p.c.	30 p.c.	35 p.c.
	but not less than.......each				....	40 cents.	50 cents.
476a	Glassware and other scientific apparatus for laboratory work in public hospitals; chairs and tables for surgical operating purposes and parts thereof; infant incubators and parts thereof; infant identification bead sets including cases, and parts thereof; electrocardiographs and parts thereof, and sensitized film and paper for use therein; *electroencephalographic paper;* apparatus for sterilizing purposes, including bedpan washers and sterilizers but not including washing nor laundry machines; all for the use of any public hospital, under such regulations as the Minister may prescribe......................	Free	Free	Free	Free 17½ p.c.	Free 25 p.c.	Free 35 p.c.
478	(1) Artificial limbs; spinal and other orthopedic braces; parts of the foregoing....................	Free	Free	Free	Free	Free	Free
	(2) *Aural and nasal prostheses; ileostomy, colostomy, and urinary appliances designed to be worn by an individual; materials and articles required therewith for proper application and maintenance*............	Free	Free	Free	Free various	Free various	Free various
	(3) Materials and articles for use in the manufacture of the goods enumerated in Tariff Items 478(1) *and 478(2)*...	Free	Free	Free	Free various	Free various	Free various

567b	(1) Church vestments of any material	10 p.c.	10 p.c.	20 p.c.	10 p.c.	10 p.c.	20 p.c.
	(2) *Prayer shawls, prayer shawl fringes, and prayer shawl bags*	10 p.c.	10 p.c.	20 p.c.	20 p.c.	27½ p.c.	50 p.c. and 7 cts. oz.
604	(3) *Pinseal leather*	Free	10 p.c.	27½ p.c.	7½ p.c.	17½ p.c.	27½ p.c.
657a	Cinematograph or moving picture films, positives, n.o.p.:						
	(1) One and one-eighth of an inch in width and over ... per linear foot	1½ cts.	1½ cts.	3 cts.	1½ cents	1½ cts.	3 cts.
	(2) *Under one and one-eighth of an inch in width* ... per linear foot	Free	1½ cts.	3 cts.	Free	20 p.c.	25 p.c.
680b	*Calcareous and chitinous exoskeletons of marine animal origin, dyed or otherwise prepared or not, imported solely for decorative purposes*	Free	5 p.c.	25 p.c.	15 p.c.	20 p.c.	25 p.c.
681b	Residue, revert, or waste from chemical, metallurgical or *metal working* processes, containing aluminum oxide or other aluminum compounds mixed with other materials, imported by Canadian smelters or refiners for recovery of aluminum oxide and attendant by-products	Free	Free	10 p.c.	Free 15 p.c.	Free 20 p.c.	10 p.c. 25 p.c.
691	(1) Communion sets; oil stocks; crosiers; benitiers; sprinklers; incensers; incense boats; baptismal shells or fonts; scapulars; chapelets; rosaries; religious *statues, statuettes*, medals and crosses; *Scroll sets; Chanuka candlesticks; Kiddush sets; Mezuzah boxes; Havdalah sets;* parts of the foregoing	Free	Free	Free	various	various	various
	(2) *Materials and articles for the manufacture of the goods enumerated in Item 691(1)*	Free	Free	Free	various	various	various
696	(1) Philosophical and scientific apparatus *(and ancillary equipment thereto)*, utensils, instruments, and preparations, including boxes and bottles containing the same; maps, charts, photographic reproductions and other pictorial illustrations, casts as models, animals as research or experimental subjects; living plants, seeds, cuttings, buds, scions, tubers, bulbs and root-stock; mechanical equipment of a class or kind not made in Canada; *parts of the foregoing*. All articles in this item, when for the use and by order of any society or institution incorporated or established solely for religious, philosophical, educational, scientific or literary purposes, or for the encouragement of the fine arts, or for the use and by order of any public hospital, college, academy, school, or seminary of learning in Canada, and not for sale, under such regulations as the Minister may prescribe	Free	Free	Free	Free various	Free various	Free various

Tariff Item	—	British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff	Rates in Effect Prior to Rates Proposed in this Budget Resolution: British Preferential Tariff	Most-Favoured-Nation Tariff	General Tariff
	(2) *Materials and articles for the manufacture of the goods specified in Tariff Item 696(1)*................	Free	Free	Free	various	various	various
703	(c) *Goods valued at not more than $1,000 imported by members of the Canadian Armed Forces after an absence from Canada of not less than one year and acquired by them for personal or household use and actually owned abroad by them for at least six months before their return to Canada, under regulations prescribed by the Minister*........................... *Provided that such goods shall not be sold or otherwise disposed of without payment of duty and taxes until after twelve months actual use in Canada, and that the exemption shall not apply to alcoholic beverages, cigars, cigarettes nor manufactured tobacco.*	Free	Free	Free	various	various	various

4. Resolved, that Schedule C to the Customs Tariff be amended by deleting there from Item 1206 and by inserting in said Schedule C the following Item:

1206	Goods manufactured or produced wholly or in part by prison labour, or which have been made within or in connection with any prison, jail or penitentiary; also goods similar in character to those produced in such institutions, when sold or offered for sale by any person, firm or corporation having a contract for the manufacture of such articles in such institutions or by any agent of such person, firm or corporation, or when such goods were originally purchased from or transferred by any such contractor. *Provided that the Governor in Council may by regulation exempt any goods or class of goods to be further manufactured in Canada from the provisions of this item.*

5. Resolved, that any enactment founded upon the foregoing resolutions shall be deemed to have come into force on the twentieth day of February, one thousand nine hundred and fifty-three, and to have applied to all goods mentioned in the foregoing resolutions imported or taken out of warehouse for consumption on and after that date, and to have applied to goods previously imported for which no entry for consumption was made before that date.

BUDGET PAPERS

presented by

the Honourable D. C. Abbott, M.P.,

for the information of Parliament

in connection with the Budget of 1953-54

68766—3½

FOREWORD

The purpose of these Papers is twofold:

1. to present a general economic review of 1952, bringing together in one place and in convenient form some of the more comprehensive indicators of economic conditions prepared by the Dominion Bureau of Statistics and other Government Agencies, together with brief comments;

2. to present a preliminary review of the Government accounts for the fiscal year ending March 31, 1953.

PART I

ECONOMIC REVIEW OF 1952

The tables in this Budget Paper are based upon estimates provided by the Dominion Bureau of Statistics and other Government Departments. Some of the figures appear for the first time; others have been published elsewhere. All 1952 estimates are preliminary and subject to revision.

THE NATIONAL ACCOUNTS

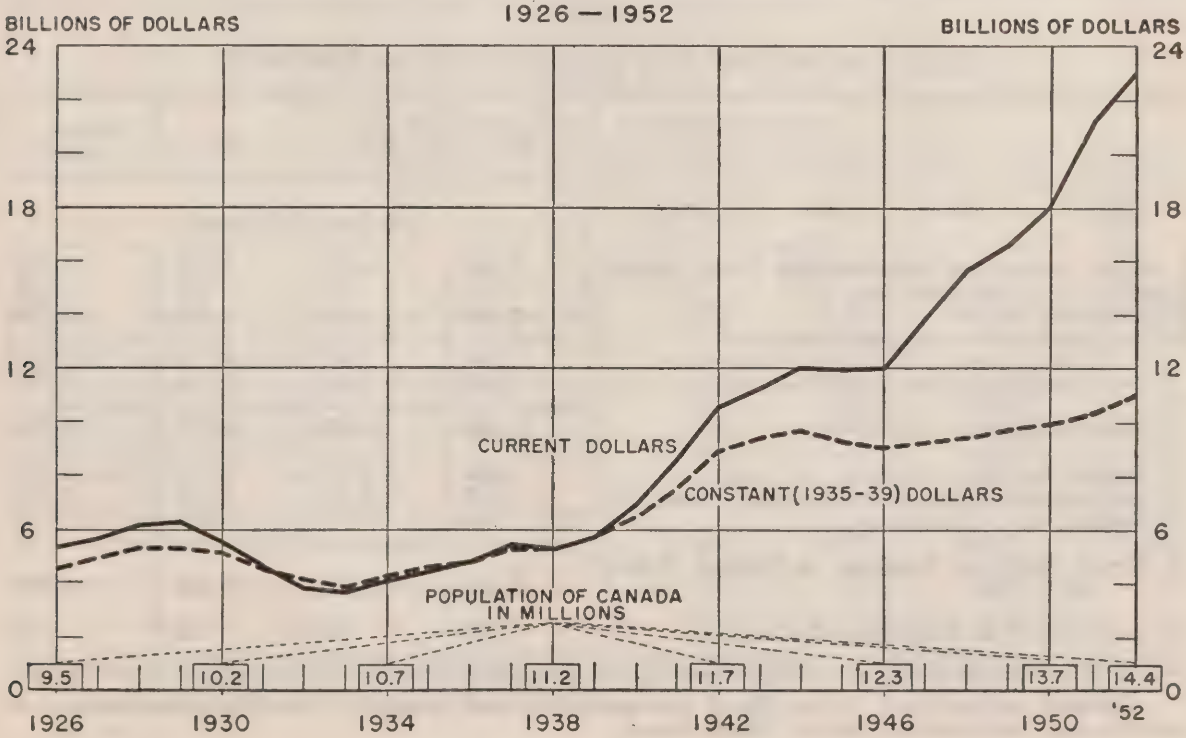
National Income, Product and Expenditure

National Income is the total of the annual earnings of Canadian residents from the production of goods and services. As such it includes salaries, wages and other forms of employee earnings in cash or in kind, as well as military pay and allowances. It includes corporation profits, interest, net rent, and the net income of farmers and others who are in business on their own account.

Gross National Product is the value at market prices of all the goods and services produced in a year by the labour, capital, and enterprise of Canadian residents. It is measured by adding together the costs of production. Part of these costs of production are the factor costs or, more simply, the earnings of the factors of production, labour, capital and enterprise; and the total of these factor costs or earnings is National Income. Indirect taxes and other costs such as depreciation allowances also enter into the cost of goods and services although they do not form part of the income of Canadians. They are, therefore, added to National Income to obtain Gross National Product. Subsidies on the other hand may be regarded as offsets to costs of production and are therefore deducted.

Gross National Expenditure measures the same aggregate as Gross National Product but in a different way. The goods and services produced in a year are either sold at home or abroad or added to inventories. Thus Gross National Expenditure is obtained by adding together all sales and adjusting them for imports and changes in inventories. While Canadian expenditure on imported goods and services is included in the total sales to consumers, to governments, and to business for capital account, it is not part of the disposition of Canadian production and is therefore deducted. But since foreign expenditures on Canadian goods and services, *i.e.*, exports, form part of the earnings of Canadians in the Gross National Product, they are included in Gross National Expenditure.

GROSS NATIONAL EXPENDITURE
IN CURRENT AND CONSTANT (1935-39) DOLLARS
1926 — 1952



National Income and Product

Preliminary estimates indicate a gross national product of about $23 billion for 1952. After allowing for the fact that prices averaged somewhat higher in 1952 than in 1951, it is estimated that the increase in terms of volume or real product was about 6 per cent.

While these estimates of change in real product are only approximate, they indicate that 1952 was the third successive year in which the growth in real product was of the order of 5 to 6 per cent. For the three-year period, 1950–1952 inclusive, the total gain has amounted to about 19 per cent, or in per capita terms to a little more than 10 per cent. This rate of gain in real product is more than double that of the preceding three-year period.

As in 1951, a substantial part of the estimated increase in total real product, perhaps a quarter, was the result of increased agricultural production. This increase in agricultural product was almost entirely due to the record western grain crop since other branches of agricultural production did little more than maintain 1951 levels. There were also significant increases in the construction industry, in transportation, communication and storage, in public utilities, in trade and in the service industries which together accounted for more than half of the total increase in real product. Manufacturing production appears to have been about 2 per cent above 1951 levels.

The index of industrial production for the first eleven months of 1952 shows a modest gain of 2 per cent over the comparable period of 1951; and for the year as a whole will probably be 3 per cent above 1951. But it is important to note that these averages obscure significant differences in the pattern of industrial activity in the two years. The year 1951 started off very strongly and the index of industrial production reached a peak of 237·3 in June, from which point it declined steadily to a low of 211·6 in December. In the year 1952, on the other hand, the index of industrial production rose steadily from 212·1 in January to 248·1 in November, or by 17 per cent. In other words, the index of industrial production is estimated to have ended 1952 at about 3 per cent above the year's average of 233, while in 1951 it ended the year about 7 per cent below the year's average of 226·5.

TABLE 1

NATIONAL INCOME AND GROSS NATIONAL PRODUCT

—	1949	1950	1951	Prelim. 1952
	(Millions of Dollars)			
1. Wages, salaries and supplementary labour income	7,761	8,324	9,732	10,855
2. Military pay and allowances	115	137	201	270
3. Investment income	2,445	3,148	3,667	3,746
4. Net income of unincorporated business—				
(a) farm operators from farm production[1]	1,504	1,507	2,116	1,861
(b) non-farm unincorporated business	1,369	1,493	1,568	1,575
5. **National Income** (1+2+3+4)	**13,194**	**14,609**	**17,284**	**18,307**
6. Indirect taxes less subsidies	1,830	2,018	2,461	2,704
7. Depreciation allowances and similar business costs	1,437	1,619	1,820	1,991
8. Residual error of estimate	+1	−29	−117	−18
9. **Gross National Product at Market Prices** (5+6+7+8)	**16,462**	**18,217**	**21,448**	**22,984**
10. Index of G.N.P. in Constant Dollars	100	106	112	119

[1] Includes undistributed Wheat Board trading profits, and inventory valuation adjustment on a calendar year basis for grain held by Wheat Board.

The increase in labour income, the largest component of national income, is estimated at $1123 million for 1952—$100 million greater than the increase in national income itself. As a percentage of national income, labour income rose from 56 per cent in 1951 to 59 per cent in 1952. For the year as a whole, total salaries and wages increased by 12 per cent over 1951 and the increase was continuous throughout the year. Most of the gain was due to higher earnings but there was also an expansion of about 3 per cent in the number of paid workers.

Despite the record western grain crop, net farm income showed a decline of about 12 per cent from the very high level of 1951, but remained 24 per cent above the levels of 1949 and 1950. This was largely the result of lower prices for livestock. A special factor in the decline in Canadian livestock prices was the loss of the United States cattle market following the outbreak of foot and mouth disease in Western Canada; but even before this outbreak, the downward trend in United States meat prices was reducing the yields to Canadian livestock producers. The impact of this downward movement in market prices was mitigated by federal government price support action.

Investment income is estimated to have increased by 2 per cent in 1952 compared with increases of 16 per cent in 1951, 29 per cent in 1950 and a decrease of 1 per cent in 1949. This slower rate of growth in total investment income during 1952 can be ascribed to the estimated decline in corporation profits. Corporation profits constitute about two-thirds of total investment income and were very buoyant in 1950 and 1951. Such evidence as is available suggests that the trend in corporation profits is again upward from the lower levels reached in the latter part of 1951 and the early part of 1952.

National Expenditure

During 1952 the volume of Canadian production increased by 6 per cent. At the same time, the amount of inventory accumulation was much smaller in 1952 than in 1951. Consequently the volume increase in goods and services used during 1952 for purposes other than additions to inventory was much closer to 9 per cent than to 6 per cent. This increase was distributed across all the broad categories of expenditure, but consumer expenditure and government expenditure together absorbed about 80 per cent of it.

TABLE 2

GROSS NATIONAL EXPENDITURE

—	1949	1950	1951	Prelim. 1952
	(Millions of Dollars)			
1. Personal expenditure on consumer goods and services	10,963	11,994	13,234	14,290
2. Government expenditure on goods and services....	2,128	2,326	3,201	4,211
3. Gross domestic investment—				
(a) plant, equipment and housing............	2,968	3,216	3,810	4,138
(b) change in inventories......................	231	980	1,620	176
4. Exports of goods and services[1]......................	4,011	4,185	5,099	5,650
5. Imports of goods and services[1]......................	−3,837	−4,514	−5,633	−5,500
6. Residual error of estimate..........................	−2	+30	+117	+19
7. Gross National Expenditure at Market Prices (1+2+3+4+5+6)...........................	**16,462**	**18,217**	**21,448**	**22,984**
8. Index of G.N.E. in Constant Dollars..............	100	106	112	119

[1] Minor adjustments have been made to the figures of current receipts and payments shown in Table 11 and in "The Canadian Balance of International Payments, 1926 to 1951", Dominion Bureau of Statistics, to achieve consistency with the other component series.

Consumer expenditure rose from $13,234 million in 1951 to $14,290 million in 1952, an increase of 8 per cent in value and 6 per cent in real terms. This is in sharp contrast with the year 1951 when consumer expenditure in real terms remained almost constant. As noted above, however, there was in 1952 a much smaller drain on production for purposes of increasing inventories than in 1951. The expansion in consumer expenditure, and in defence expenditure, and capital investment as well, may be thought of in part as replacing the demand for inventory accumulation which fell so sharply.

About two-thirds of the $1,010 million increase in government expenditure on goods and services was the result of the increase in defence spending. In real terms the increase in defence and non-defence spending on goods and services was a little larger than the increase in consumer expenditure. Investment in plant, equipment and housing increased by $328 million, an increase of 9 per cent in value and 5 per cent in volume. Inventory accumulation as a whole was lower than at any time since 1949. There were large increases in both the value and volume of farm inventories and grain held in commercial channels but the value of business inventories declined during the year. However, this decrease in the value of business inventories was the result of lower prices rather than a volume reduction.

Personal Income and its Disposition

For the purpose of showing the relationship between the incomes, spending and saving of Canadians, Personal Income is a more useful concept than National Income.

Personal Income differs from National Income in a number of ways. It is defined as the sum of current receipts of income regardless of whether these receipts are earnings from production. Thus it includes only that part of corporation profits which is actually received by Canadian persons as dividends. Similarly deductions must also be made from employees' total earnings for unemployment insurance contributions or pensions contributions which, although forming part of the compensation for services performed, are not actually received by the employee within the year. On the other hand, transfer payments such as family allowances, old age pensions, veterans' benefits and charitable contributions of corporations, are part of personal income although they are not payments for services and, therefore, do not form part of National Income.

A special adjustment is necessary for farm income since the farmer does not receive full payment for his grain at the time it is delivered to the Wheat Board. An initial payment is made upon delivery and subsequent payments are determined on the basis of the price realized by the Board. Thus for a time a part of the farmer's income accumulates with the Wheat Board. For purposes of national income, net farm income is shown in Table 1 on an accrued basis and includes income accumulated with the Wheat Board on behalf of farmers. For purposes of personal income, however, an adjustment is necessary to exclude such accumulated income and to include only the disbursements of the Wheat Board whether in respect of current or prior years' deliveries.

Total personal income rose by $1,294 million or 8 per cent during 1952 despite a substantial decline in farm income from its record 1951 level. This increase in personal income was almost wholly a gain in real income since consumer prices as represented by the consumer price index averaged only 2·5 per cent higher than in 1951. The gain in real income was somewhat greater in the latter part of the year as prices continued a gradual downward movement while incomes continued to expand.

TABLE 3

SOURCES OF PERSONAL INCOME

—	1949	1950	1951	Prelim. 1952
	(Millions of Dollars)			
1. Wages, salaries and supplementary labour income..	7,761	8,324	9,732	10,855
Deduct: Employer and employee contributions to social insurance and government pension funds.	−239	−256	−302	−328
2. Military pay and allowances	115	137	201	270
3. Net income received by farm operators from farm production[1]	1,600	1,406	2,174	1,877
4. Net income of non-farm unincorporated business...	1,369	1,493	1,568	1,575
5. Interest, dividends and net rental income of persons[2]	1,157	1,299	1,403	1,484
6. Transfer payments to persons (excluding interest)—				
(a) from government	950	1,032	1,022	1,358
(b) charitable contributions made by corporations	23	25	29	30
(c) net bad debt losses of corporations	21	23	25	25
7. Personal Income (1+2+3+4+5+6)	**12,757**	**13,483**	**15,852**	**17,146**

[1] Excludes undistributed profits of the Wheat Board and an inventory valuation adjustment on a calendar year basis for grain held by the Wheat Board.

[2] Includes all government debt interest paid to persons.

The increase in personal income was due in the main to two factors, the steady expansion in salaries and wages and the beginning of the old age security payments. About 85 per cent of the increase in personal income was the result of the 12 per cent rise in labour income net of employer and employee contributions to social insurance and government pension funds. Government transfer payments rose by $336 million, two-thirds of which was accounted for by the increase in old age security payments. Military pay and allowances were $69 million higher, or 34 per cent above the 1951 level.

Net income received by farmers declined by 14 per cent from the record level of 1951 but was about 25 per cent above the average of 1949 and 1950. The decline in farm receipts was mainly the result of lower prices for agricultural products, although lower Wheat Board disbursements were a contributing factor. As mentioned above, the volume of agricultural production was considerably higher than in 1951. Income of unincorporated business other than farming is estimated to have increased slightly. Dividends paid out by corporations decreased somewhat but investment income from other sources was higher.

TABLE 4

DISPOSITION OF PERSONAL INCOME

—	1949	1950	1951	Prelim. 1952
	(Millions of Dollars)			
1. Personal direct taxes—				
(a) income taxes	677	612	891	1,177
(b) succession duties	55	66	69	69
(c) miscellaneous taxes	57	62	67	72
Total direct taxes	789	740	1,027	1,318
2. Personal expenditure on consumer goods and services—				
Goods—				
(a) non-durable	6,799	7,207	7,904	8,397
(b) durable	1,084	1,347	1,399	1,567
Services	3,080	3,440	3,931	4,326
Total consumer expenditure	10,963	11,994	13,234	14,290
3. Personal saving—				
(a) personal saving excluding farm inventories	1,077	618	1,237	1,295
(b) change in farm inventories	−72	131	354	243
Total personal saving	1,005	749	1,591	1,538
4. **Personal Income** (1+2+3)	**12,757**	**13,483**	**15,852**	**17,146**

There were also significant differences from 1951 in the disposition of income. Payments for personal direct taxes increased by $291 million or 28 per cent. This was partly because of the fact that it was the first full year for which the higher rates imposed after Korea had been in effect, but most of the increase can be attributed to the rise in incomes.

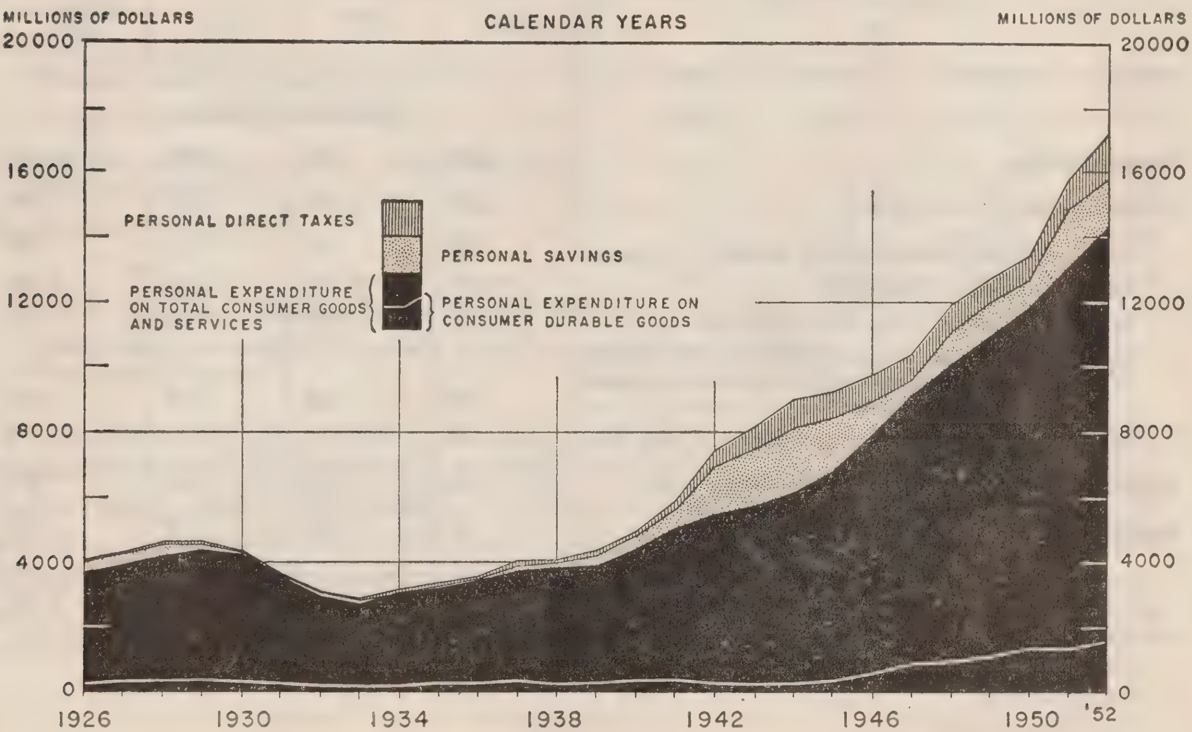
While disposable income, or personal income after taxes, increased by $1,003 million, personal expenditure rose by $1,056 million. Thus Canadians enjoyed a substantially higher level of consumption in 1952 without materially affecting their rate of savings. In fact, if we deduct saving in the form of farm inventories, which is subject to special influences, the estimated $1,295 million saved in 1952 was higher than the amount saved in 1951. Personal saving, excluding saving in the form of farm inventories, was 8·2 per cent of disposable income in 1952 compared with 8·3 per cent in 1951, 4·8 per cent in 1950 and 9·0 per cent in 1949.

Purchases of durable consumer goods declined rapidly after the first quarter of 1951 and this situation continued until the spring of 1952. At that time a number of factors appear to have combined to cause an increase in retail sales. Consumer credit restrictions were withdrawn and the special excise taxes on certain goods were reduced. In general, the restraint in consumer buying over the preceding months had contributed to lower prices and this, together with

the rise in money incomes, resulted in a continuous increase in the buying potential. Moreover, the slower pace of spending during the preceding twelve months had probably created a new backlog of demand. At any rate, the increase in durable goods sales was such that for 1952 as a whole they exceeded 1951 by 12 per cent in value and about 10 per cent in volume. There was a sharp increase in consumer debt associated with the pick-up in sales of durables which occurred in the last eight months of the year. In the non-durable group there were also sizeable increases in both food and clothing, and services continued to expand. After allowing for price changes, the volume of total consumer expenditure rose by about 6 per cent or in per capita terms by about 3 per cent.

DISPOSITION OF PERSONAL INCOME

CALENDAR YEARS



Source and Disposition of Saving

Saving is the source from which investment expenditure is financed. Income arising out of production may either be spent or saved. At the same time production will be absorbed either by consumption expenditure, or by investment expenditure at home for new plant, equipment, housing, or additions to inventory, or by investment abroad. It is, therefore, possible to construct tables which show, on the one hand, the sources of saving and, on the other, the use of these savings to finance gross investment at home or investment abroad.

In addition to personal saving which was mentioned above, there can be government saving and business saving. If, for example, governments have a surplus of revenue over expenditure, this surplus constitutes part of the nation's saving, as presented in the national accounts. If there are government deficits they are an offset to the total of private saving by individuals and businesses.

During 1952 it is estimated that the nation as a whole saved $530 million less than in 1951, a decline of 11 per cent. This was not due, however, to any decline in the rate of private saving. But the total surplus for all levels of government combined dropped by $733 million or from $1,034 million in calendar year 1951 to $301 million in calendar year 1952. Thus the amount saved during the year by persons and businesses, although substantially unchanged from 1951 in absolute amount, became relatively more important and constituted 94 per cent of total saving in 1952 compared with 82 per cent in the previous year.

TABLE 5

SOURCES OF SAVING

—	1949	1950	1951	Prelim. 1952
	(Millions of Dollars)			
Personal saving	1,005	749	1,591	1,538
Gross business saving—total	*1,925*	*2,486*	*2,505*	*2,662*
(a) Undistributed corporation profits	607	791	771	707
(b) Depreciation allowances	1,437	1,619	1,820	1,991
(c) Net bad debt losses of corporations	−21	−23	−25	−25
(d) Undistributed Wheat Board trading profits and inventory valuation adjustment on grain held by Wheat Board	−96	101	−58	−16
(e) Inventory valuation adjustment[1]	−2	−2	−3	5
Adjusted government surplus (+) or deficit (−)[2]	440	691	1,034	301
Residual error of estimate[3]	1	−29	−117	−18
Total	3,371	3,897	5,013	4,483

[1] The adjustment has been made only to grain held in commercial channels.
[2] See Table 10.
[3] See Tables 1 and 2.

Personal saving for 1952 is estimated at $1,538 million or almost 10 per cent of personal disposable income. It constituted 34 per cent of the nation's total saving from all sources compared with 32 per cent in 1951. If saving in the form of farm inventories is excluded, personal saving was somewhat higher than in 1951. This fact, taken in conjunction with the rise in the volume of consumer expenditure, directs attention to the noteworthy improvement in real income which occurred during the year.

In 1952, about 7 per cent of the nation's total saving was made up of the combined surplus of federal, provincial and municipal governments compared with about 21 per cent in 1951. This reduction in government saving was entirely the result of the reduction in the federal surplus as estimated for national accounts purposes.

It is estimated that our total receipts from abroad on current account exceeded our total payments by $150 million in 1952 and there was, therefore, a net increase of like amount in our foreign assets. This was in sharp contrast

to both 1950 and 1951 when there were substantial net inflows of capital from abroad. Thus the nation's total investment in 1952 comprised not only gross domestic investment in plant, equipment and housing but a modest foreign investment or increase in our net foreign assets. These transactions are treated more fully in the section on the Balance of International Payments.

TABLE 6

DISPOSITION OF SAVING

—	1949	1950	1951	Prelim. 1952
	(Millions of Dollars)			
Gross domestic investment—				
Housing, plant and equipment	2,968	3,216	3,810	4,138
Change in inventories	231	980	1,620	176
Net increase in foreign assets (including foreign exchange) adjusted[1]	174	−329	−534	150
Residual error of estimate[2]	−2	+30	+117	+19
Total	3,371	3,897	5,013	4,483

[1] Minor adjustments have been made to the figures appearing in Table 11.
[2] See Tables 1 and 2.

Business saving consists for the most part of amounts set aside for depreciation and of undistributed profits. The preliminary estimate of corporation profits before taxes indicates a reduction tentatively set at $120 million or about 4 per cent below the 1951 total. Since this decrease in corporation profits is larger than the estimated reduction in corporation taxes and dividend payments, some decline in undistributed profits seems probable. However, it is too early in the year to estimate any of these aggregates with confidence.

TABLE 7

CORPORATION PROFITS, TAXES AND DIVIDENDS

—	1949	1950	1951	Prelim. 1952
	(Millions of Dollars)			
Corporation profits before taxes[1]	1,906	2,490	2,850	2,730
Deduct corporation taxes[2]	−731	−1,023	−1,418	−1,405
Corporation profits after taxes	1,175	1,467	1,432	1,325
Deduct dividends paid out[3]	−568	−676	−661	−618
Undistributed corporation profits[4]	607	791	771	707

[1] Includes depletion charges and is adjusted for losses, and for conversion to a calendar year basis.
[2] Taxes paid or payable in respect of the calendar year's income. (See Table 10).
[3] Includes charitable contributions made by corporations. (See Table 3 Item 6 (b)).
[4] See Table 5.

Investment and Capital Expenditure

It is estimated that investment in plant, equipment and housing amounted to $4,138 million in 1952, an increase of $328 million or 9 per cent over 1951. It was approximately 18 per cent of gross national expenditure in both years. The largest increase was in non-residential construction which was 17 per cent above 1951 in value and 10 per cent in volume. Housing rose by almost 3 per cent in value terms but after allowances are made for price changes the indicated volume was virtually unchanged. However, residential building activity rose markedly in the last half of the year with housing starts running at the annual rate of more than 90,000 compared with 70,000 for 1951. Investment in machinery and equipment was larger than in 1951 by 5 per cent in value and 4 per cent in volume but this increase was much less pronounced than the 27 per cent

TABLE 8

GROSS DOMESTIC INVESTMENT

—	1949	1950	1951	Prelim. 1952
	(Millions of Dollars)			
Housing, plant, and equipment—total[1]	2,968	3,216	3,810	4,138
New residential construction	742	801	781	803
Other new construction	903	1,026	1,260	1,476
New machinery and equipment	1,323	1,389	1,769	1,859
Change in inventories—total	231	980	1,620	176
Grain in commercial channels[2]	−16	60	—	92
Farm grain and livestock[2]	−72	131	354	243
All other inventories[3]	319	789	1,266	−159
Gross Domestic Investment[4]	**3,199**	**4,196**	**5,430**	**4,314**

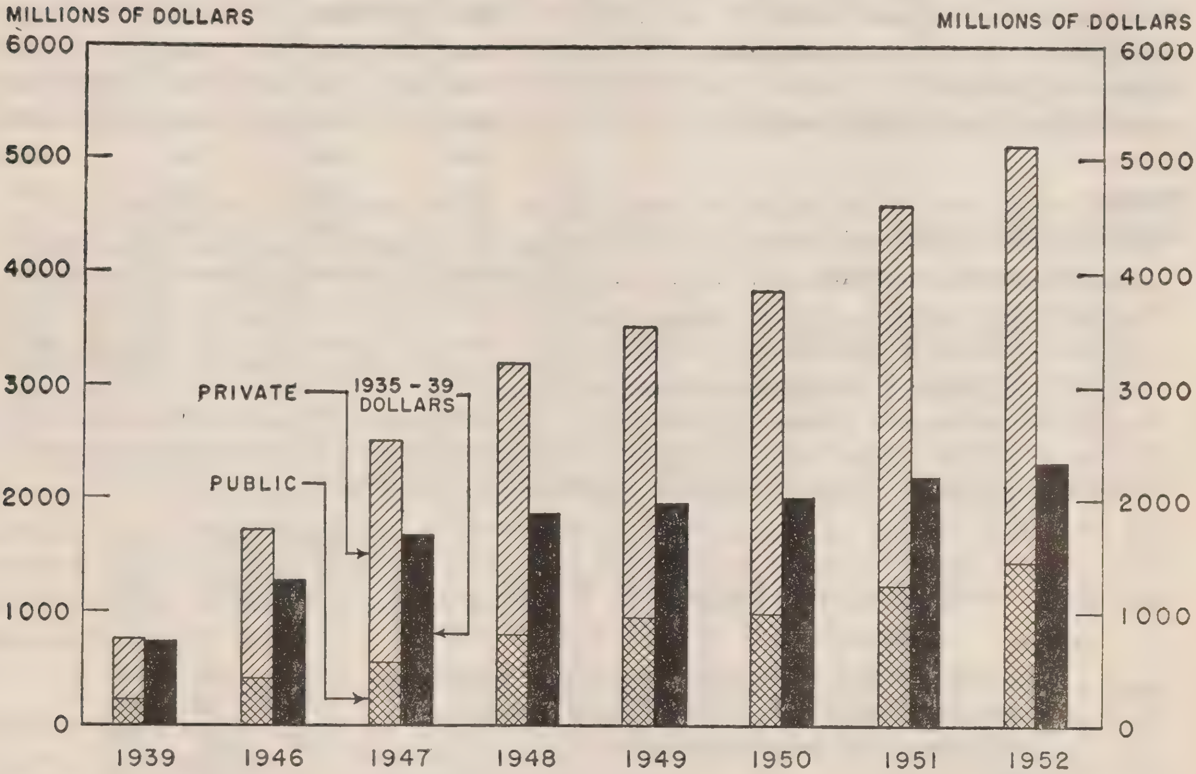
[1] Includes private businesses and institutions, and publicly owned public utilities.
[2] Value of physical change.
[3] Change in value. Includes privately financed industrial and trade inventories.
[4] See Table 2, Item 3 and footnote to Table 9, p. 16.

value increase of 1951. The most significant change in the pattern of investment during 1952 was the much lower percentage of total production diverted to increasing business inventories. Business inventories are estimated to have increased by 1 per cent in volume compared with the 11 per cent increase of 1951. In 1951 the large inventory build-up together with the increase in defence spending placed a considerable strain on the economy and absorbed about 80 per cent of the increase in output for that year. In 1952, on the other hand, the decline in the rate of inventory accumulation freed production for other purposes and was great enough to make room for not only all of the increase in investment in plant, equipment and housing but more than one-half of the increase in consumer spending as well.

Table 9 gives an industrial distribution of business capital expenditures and brings them together with public capital outlays included under government expenditure in Table 2. The total of public and private capital expenditures increased by $545 million or 12 per cent during 1952. In real terms the increase

is estimated at 8 per cent. The most noteworthy feature of the 1952 capital programme was the increase in expenditure by those industries contributing directly to the defence effort and those engaged in developing the strategic natural resources of the nation. The increased emphasis on investment in large scale resource development projects became apparent after 1948. The demand generated by Western re-armament after the outbreak of war in Korea provided a further incentive for this type of development. At the same time government measures encouraged the deferment of less essential forms of capital investment.

PUBLIC AND PRIVATE CAPITAL EXPENDITURE



During 1952 the increase in capital outlays in four groups, utilities, manufacturing, mining and government departments was slightly greater than the total increase in capital expenditure. Capital outlays by government departments increased by $183 million or 31 per cent and accounted for one-third of the total increase in capital expenditure during 1952. Almost all of this increase was for federal government defence projects and for capital assistance to industries filling defence contracts. Capital expenditure in utilities, mining and manufacturing increased by $376 million or 20 per cent. Included in the sectors showing important gains over 1951 were new developments in iron ore mining, asbestos mining and oil well drilling. In manufacturing the largest increases were in chemicals, iron and steel, oil refineries, non-ferrous metals, transportation equipment and in electric apparatus and supplies. In the utilities group the largest single increase was in oil and gas pipe lines. Steam railways, telephones, central electric stations, water works and water transport also showed important gains. These increases were offset to some extent by significant declines in trade, finance and commercial services, and to a lesser extent in some manufacturing industries catering to consumer needs.

TABLE 9

PUBLIC AND PRIVATE CAPITAL EXPENDITURE

—	1949	1950	1951	Prelim. 1952
	(Millions of Dollars)			
Agriculture and fishing	419	473	515	566
Forestry	26	34	58	35
Mining, quarrying and oil wells	122	119	181	211
Manufacturing	536	502	793	942
Electric power, gas and water works	338	369	440	536
Transportation, storage and communications	341	351	460	561
Construction industry	55	71	66	71
Trade, finance and commercial services	293	397	412	317
Institutions	190	208	236	255
Housing	776	845	821	850
Government departments	406	446	595	778
Total Capital Expenditure[1]	**3,502**	**3,815**	**4,577**	**5,122**
Total Capital Expenditure as a percentage of Gross National Expenditure	21·3	20·9	21·3	22·3
Index of total Capital Expenditure in Constant Dollars	100	103	111	120

[1] For reconciliation with Gross Domestic Investment in Table 8, see below

	1950	1951	1952
PUBLIC AND PRIVATE CAPITAL EXPENDITURE—Table 9	3,815	4,577	5,122
DEDUCT:			
Provincial hospitals and schools, and municipal schools	−107	−130	−156
Government housing excl. C.M.H.C. rental housing	−44	−40	−47
Direct government department outlays	−446	−595	−778
Other	−2	−2	−3
ADD:			
Change in Inventories	980	1,620	176
TOTAL GROSS DOMESTIC INVESTMENT—Table 8	4,196	5,430	4,314

Revenue and Expenditure of All Governments

In Table 10 "Government Transactions Related to the National Accounts" an attempt is made to bring together in one statement and under uniform headings, the activities of all governments in Canada on a calendar year basis.

The table is designed to include only those transactions which have relevance for the National Accounts, and consequently the surpluses or deficits shown here do not agree with those shown in the various public accounts. It has been necessary to adjust the conventional accounting statements of fiscal year revenue and expenditure to exclude certain transactions such as those relating to reserves, write-offs, amortization, and other non-cash items, as well as the purchase and sale of existing capital assets; and to include the transactions of extra-budgetary funds such as unemployment insurance, old age security, workmen's compensation and government pension funds. Government loans and investments, and debt retirement, are not included in government expenditure.

In the federal accounts, some of the more substantial adjustments are as follows: elimination of reserve for possible losses on active assets, elimination of reserve for veterans' conditional benefits, elimination of expenditures charged with respect to the assumption of Newfoundland debt in 1949, elimination of expenditures charged with respect to shipment from stocks of military equipment to N.A.T.O. countries, addition of expenditures out of Defence Equipment Replacement Account, elimination of write-down of active assets to non-active account, adjustment of corporation taxes to an accrual basis, inclusion of the change in inventories of government commodity agencies and the Defence Production Revolving Fund, adjustment of interest on the public debt from an accrual to a due date basis in 1952, and elimination of sales of war assets. In addition, the federal figures are adjusted to a calendar year basis by using the monthly figures published by the Comptroller of the Treasury.

Municipalities are for the most part on a calendar year basis but the provincial figures are based on the provincial fiscal years. Because of the lack of current information the 1952 figures for provincial and municipal governments involve a considerable element of estimation.

Federal government expenditure on goods and services increased by $815 million or 48 per cent in the calendar year 1952. About 84 per cent of this increase was the result of increased defence spending which rose from $1,149 million in 1951 to $1,832 million in 1952. This increase in defence spending absorbed almost one-half of the nation's total increase in real product in 1952. From the standpoint of direct use of resources, the significance of defence spending is also demonstrated by the fact that it constituted almost 75 per cent of the federal government's total expenditure on goods and services in 1952. Excluding the increase in government held inventories, largely associated with price support, federal non-defence spending on goods and services rose by 7 per cent in value and perhaps 1 per cent in volume. The increase in provincial and municipal expenditure on goods and services for 1952 is estimated at a little less than 13 per cent of which about half is estimated to be due to price increases.

TABLE 10

GOVERNMENT TRANSACTIONS RELATED TO THE NATIONAL ACCOUNTS

—	1949	1950	1951	Prelim. 1952
	(Millions of Dollars)			
Government Revenue—				
Direct Taxes—Persons	789	740	1,027	1,318
Income—				
Federal	674	612	891	1,177
Provincial and Municipal	3	—	—	—
Succession Duties—				
Federal	26	35	35	39
Provincial	29	31	34	30
Miscellaneous—				
Federal	7	7	6	7
Provincial and Municipal	50	55	61	65
Direct Taxes—Corporations	731	1,023	1,418	1,405
Income—				
Federal	601	877	1,230	1,317
Provincial	130	146	188	88
Other Direct Taxes—				
Withholding taxes—Federal	47	54	56	55
Indirect Taxes	1,907	2,081	2,594	2,794
Federal	1,048	1,115	1,495	1,595
Provincial and Municipal	859	966	1,099	1,199
Investment Income	357	400	439	499
Federal	110	134	152	195
Provincial and Municipal	247	266	287	304
Employer and Employee Contributions to Social Insurance and Government Pension Funds	239	256	302	328
Federal	141	159	200	218
Provincial and Municipal	98	97	102	110
Transfers from Other Governments—				
Provincial and Municipal	182	251	260	367
Total Revenue	4,252	4,805	6,096	6,766
Federal	2,654	2,993	4,065	4,603
Provincial and Municipal	1,598	1,812	2,031	2,163
Deficit (or surplus−)	**−440**	**−691**	**−1,034**	**−301**
Federal[1]	−497	−683	−1,006	−273
Provincial and Municipal	57	−8	−28	−28
Total Revenue plus Deficit (or minus Surplus)	**3,812**	**4,114**	**5,062**	**6,465**
Federal	2,157	2,310	3,059	4,330
Provincial and Municipal	1,655	1,804	2,003	2,135

[1] For reconciliation with Public Accounts Surplus, see page 19.

TABLE 10—Concluded

GOVERNMENT TRANSACTIONS RELATED TO THE NATIONAL ACCOUNTS

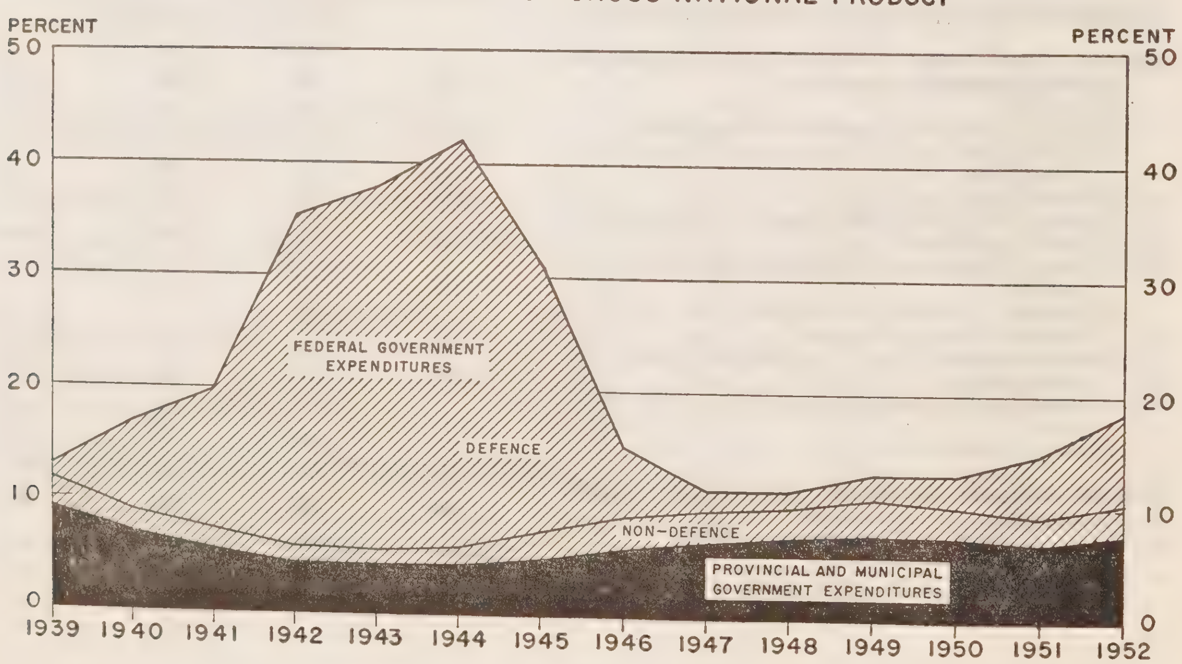
—	1949	1950	1951	Prelim. 1952
	(Millions of Dollars)			
GOVERNMENT EXPENDITURE—				
Goods and Services	2,128	2,326	3,201	4,211
Federal—				
Defence	361	493	1,149	1,832
Non-defence	519	487	534	666
Provincial and Municipal	1,248	1,346	1,518	1,713
Transfer Payments	1,425	1,474	1,468	1,797
Federal	1,022	1,019	987	1,378
Provincial and Municipal	403	455	481	419
Subsidies	77	63	133	90
Federal	73	60	129	87
Provincial and Municipal	4	3	4	3
Transfers to Other Governments—				
Federal	182	251	260	367
Total Expenditure	**3,812**	**4,114**	**5,062**	**6,465**
Federal	2,157	2,310	3,059	4,330
Provincial and Municipal	1,655	1,804	2,003	2,135

	1949	1950	1951	1952
Reconciliation with Public Accounts Surplus:	(Millions of Dollars)			
Federal Government calendar year surplus for national accounts purposes	**497**	**683**	**1,006**	**273**
Adjustments:				
Difference between calendar and fiscal year	+311	−122	−300	+367
Difference between corporation tax accruals and government receipts	−34	−183	−150	−93
Revenue items omitted	+62	+73	+67	+49
Reserves, write-offs and non-cash items omitted from expenditure	−154	−130	−167	−190
Change in inventories of government commodity agencies	+32	−19	−16	+77
Shipment of military equipment to N.A.T.O. countries, less replacement	—	−57	−70	−94
Extra-budgetary funds for pensions and social insurance (net)	−68	−56	−126	+57
Adjustment to place debt interest on a "due date" basis	—	—	—	−112
Other adjustments	−50	−58	−33	−86
Federal surplus for fiscal year as per public accounts	**596**	**131**	**211**	**248**
	(1948-49)	*(1949-50)*	*(1950-51)*	*(1951-52)*

Federal transfer payments increased sharply from $987 million in 1951 to $1,378 million in 1952 or by 40 per cent. About two-thirds of this increase is accounted for by the commencement of federal old age security payments of $40 per month to Canadians 70 years of age and over. There were also substantial increases in unemployment insurance benefits and veterans' pensions, and a steady growth in family allowance payments. The combined total of provincial and municipal transfer payments declined because the assumption by the federal government of the cost of old age pensions for those 70 years and over more than offset increases in other items.

Federal government revenues did not increase as rapidly in 1952 as did expenditures. Thus, total federal revenues for the calendar year 1952 are estimated to have increased by $538 million compared with a rise of $1,271 million in expenditures. More than half of the increase in federal revenue came from personal income tax collections which rose by $286 million or 32 per cent. Higher incomes were the major factor in the higher yield of the personal income tax. At the same time, while the higher tax rates effective July 1, 1951 were not substantially changed in 1952, the average reduction of 6 per cent in tax rates being more or less offset by the addition of the old age security levy of 2 per cent on income, they applied in the latter year to a full twelve month period. In contrast to the large increase in personal income tax collections, revenue from corporation taxes was practically unchanged in 1952. There was an estimated increase of $87 million in accrued liability for corporation taxes at the federal level but this was more than offset by the decline in provincial yields. These offsetting changes were largely the result of Ontario's withdrawal from the corporation tax field under the 1952 tax rental agreement and the change in the 1952 tax rental agreements whereby the 5 per cent corporation tax previously levied by the provinces was absorbed into the federal tax structure. During 1952 federal revenues from indirect taxes rose by $100 million or 7 per cent compared to an increase of $100 million or 9 per cent for provincial and municipal

GOVERNMENT EXPENDITURES ON GOODS AND SERVICES
AS A PERCENTAGE OF GROSS NATIONAL PRODUCT



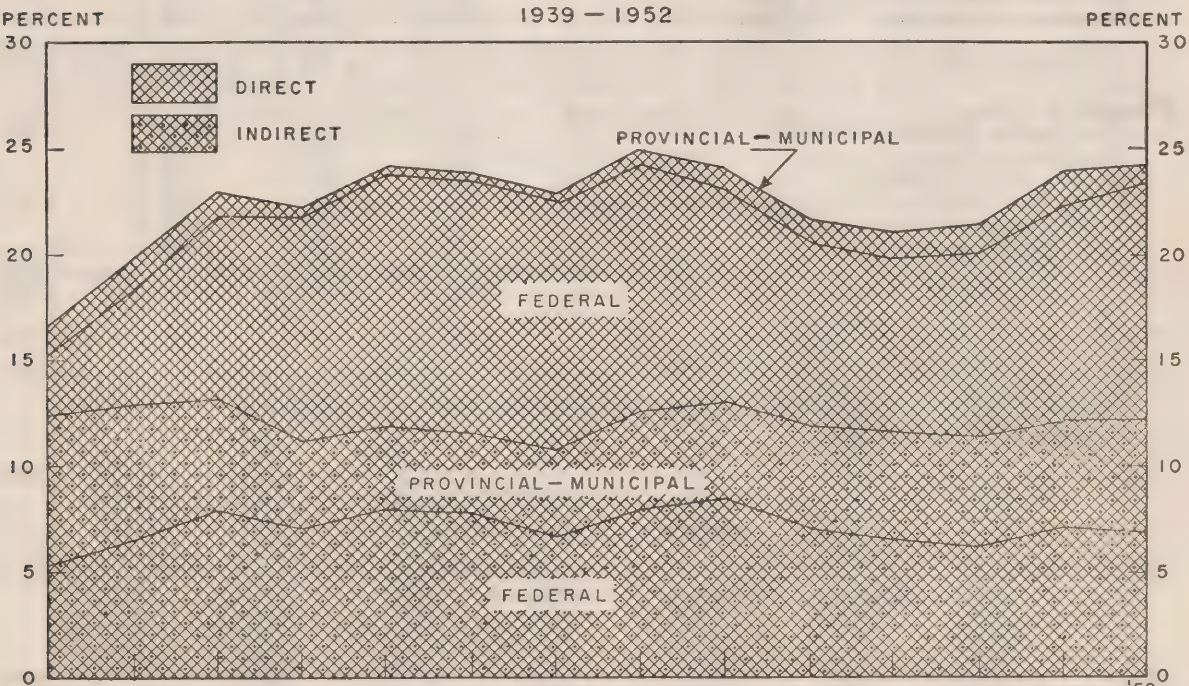
governments combined. At the federal level the 10 per cent sales tax applicable for twelve months instead of nine in the previous year and the expansion in consumer spending outweighed the reduction in certain excise tax rates which took effect in April, 1952.

For all levels of government combined, indirect taxes exceeded direct taxes by 22 per cent in 1949, 15 per cent in 1950 and 4 per cent in 1951; but in 1952 they were almost equal.

As indicated above, federal expenditures for the calendar year 1952 increased a great deal more rapidly than did revenues. Consequently the surplus, as calculated for national accounts purposes, fell from $1,006 million in the calendar year 1951 to $273 million in 1952. It constituted 6 per cent of the nation's total saving in 1952 compared with 20 per cent in 1951. The combined surplus of all provincial and municipal governments is estimated at $28 million for 1952, unchanged from 1951.

The federal surplus shown for National Accounts purposes differs substantially from the public accounts surplus, not only because of the difference between the calendar and fiscal year, but because of other adjustments made to both revenues and expenditures to make the presentation consistent with figures shown for other sectors of the economy. A reconciliation table has, therefore, been appended to the government table which summarizes the major adjustments.

GOVERNMENT DIRECT AND INDIRECT TAXATION
AS A PERCENTAGE OF GROSS NATIONAL PRODUCT
1939 — 1952



Direct taxes include taxes on personal and corporate income, succession duties and personal fees.
Indirect taxes include taxes on commodities, services, real property and business fees.

BALANCE OF INTERNATIONAL PAYMENTS

When goods are exported, unless they are given away, they give rise to payments or debts in favour of Canada. Similarly, when goods are imported they give rise to payments or debts in favour of the rest of the world. Other transactions such as interest and dividend payments, the tourist trade, freight and shipping charges, also give rise to similar payments or debts in either direction. The difference between the debits and credits arising from these current transactions is referred to as the net balance of international payments on current account. When total debits exceed total credits within a year, as was the case in 1950 and 1951, Canada goes into debt to the rest of the world or the rest of the world pays off some of its debt to Canada. When total credits exceed total debits as was the case in 1952, the net position is, of course, reversed.

TABLE 11

BALANCE OF INTERNATIONAL PAYMENTS

ESTIMATED CURRENT ACCOUNT BETWEEN CANADA AND ALL COUNTRIES
(Millions of Canadian Dollars)

—	1949	1950	1951	Prelim. 1952[2]
CURRENT CREDITS—				
Merchandise exports (adjusted)[1]	2,989	3,139	3,950	4,325
Non-monetary gold	139	163	150	150
Travel expenditures	286	275	271	
Interest and dividends	83	91	115	
Freight and shipping	303	284	337	1,175
Inheritances and immigrants' funds	66	58	77	
Other current receipts	211	233	276	
Total Credits	4,077	4,243	5,176	5,650
CURRENT DEBITS—				
Merchandise imports (adjusted)	2,696	3,129	4,103	3,825
Travel expenditures	192	226	280	
Interest and dividends	390	474	447	
Freight and shipping	253	301	347	1,675
Inheritances and emigrants' funds	53	58	67	
Other current payments	306	384	456	
Total Debits	3,890	4,572	5,700	5,500
NET BALANCE ON CURRENT ACCOUNT	+187	−329	−524	+150

[1] Aid to N.A.T.O. countries under Defence Appropriation Act has been excluded.
[2] Details not yet available.

ESTIMATED GEOGRAPHICAL DISTRIBUTION OF THE NET BALANCE ON CURRENT ACCOUNT
(Millions of Canadian Dollars)

—	1949	1950	1951	1952
Between Canada and—				
United States	−589	−403	−955	Not yet Available
United Kingdom	+439	+28	+220	
Rest of the Sterling Area	+135	−23	−29	
Other OEEC Countries	+187	+109	+220	
Other Countries	+15	−40	+20	
All Countries	+187	−329	−524	+150

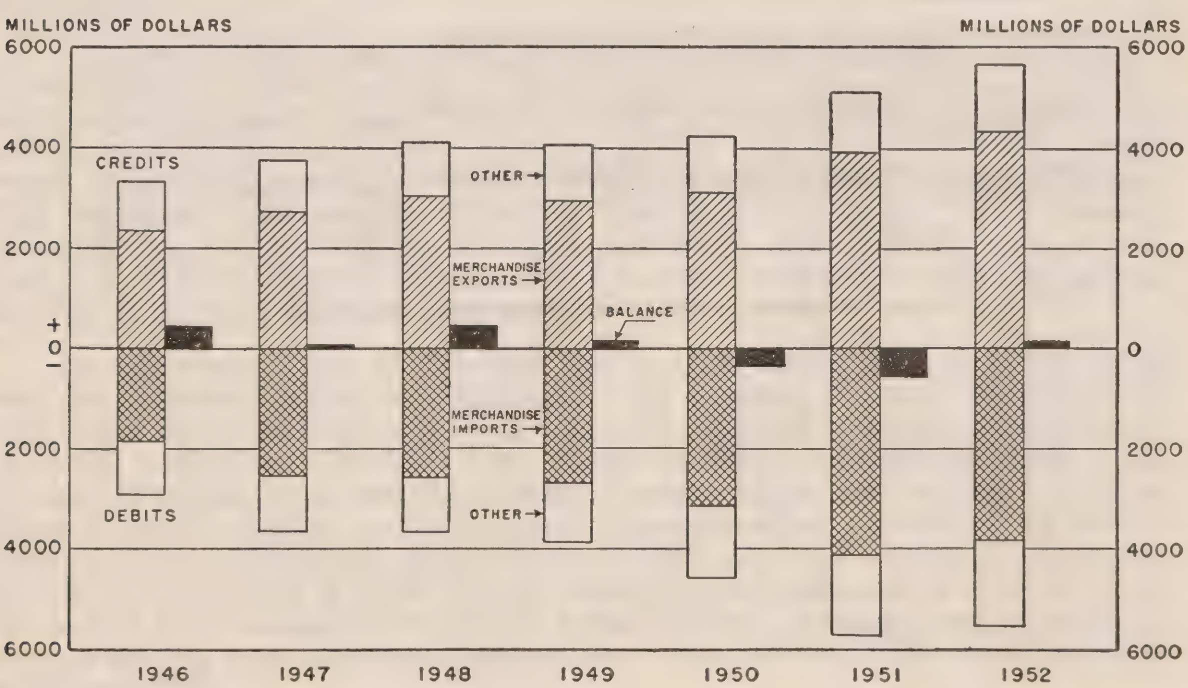
During 1952 there was a pronounced improvement in Canada's overall balance of payments position. Exports increased in value by about 10 per cent and imports fell by about 1 per cent. After taking account of adjustments to these merchandise figures and of changes in the service and non-merchandise items, the current surplus for the year is estimated to be about $150 million, in contrast to the deficit of $524 million in 1951.

A significant factor in the improvement of about $674 million in our current position was the change in the terms of trade, the ratio of export prices to import prices. Imports and exports both increased in volume by about 12 per cent in 1952 compared with the previous year. However, 1952 export prices were only slightly below those prevailing in 1951, and the prices of imports declined by more than 12 per cent. Almost all of the change in the terms of trade was concentrated in the last half of 1951 and the first half of 1952. In recent months import and export prices have tended to stabilize, with the terms of trade remaining more or less constant.

The change in the current account between the two years was also affected by the substantial prepayments in 1951 for military equipment for future delivery. In 1952 actual imports of military equipment were larger than payments. Adjustments to the current account arising out of these prepayments tended to increase the size of the deficit in 1951, and improved the net balance in 1952. The deficit for the non-merchandise items in the 1952 current account was somewhat lower than in 1951. Higher net payments on travel account were more than offset by lower net payments for interest and dividends and for other current services.

The sustained level of export prices, at a time when many world prices were declining, reflected the continuing strong demand for Canadian products abroad. Exports of wheat, newsprint and the base metals showed the largest gains during the year, although exports of some manufactures such as automobiles and trucks rose sharply. On the imports side, the main increases were in military equipment, machinery and other manufactures. Imports of some basic primary commodities such as wool and cotton were substantially lower than in 1951.

BALANCE OF INTERNATIONAL PAYMENTS



Trade with the United States showed no pronounced changes, with exports to that country slightly higher in spite of the embargo on cattle and meat sales arising out of the foot and mouth outbreak. The outstanding change in the direction of trade was the rise in exports to overseas countries. Exports to the United Kingdom increased by over $100 million, and to other non-sterling markets by nearly $250 million. The net improvement in the current account was largely the result of increased sales to these overseas countries and some decline in the level of Canadian overseas imports.

Direct investment in Canada and sales of new Canadian issues abroad amounted in magnitude to around $500 million, and provided a further element of strength in the balance of payments. However, the outward movement of capital, largely in the form of liquidations by non-residents of holdings of Canadian securities and the change in commercial accounts receivable and payable and in short-term balances, was even larger than the inflow for direct and long-term investment. There was also an increase in the official reserves of gold and U.S. dollars which rose during 1952 by $82 million, and reached a level of $1,860 million by the end of the year. The net outflow of capital which includes the increase in official reserves of gold and U.S. dollars, was of course equal to the current account surplus.

The strength in the overall balance of payments position contributed to the rise in the exchange rate for the Canadian dollar during the year. From a position of approximate parity with the United States dollar in January 1952, the Canadian dollar appreciated to a premium of 4 per cent in September. Subsequently it declined slightly and ended the year at a premium of about 3 per cent. The strong exchange rate tended to reduce the Canadian dollar prices of both exports and imports, and was an important factor contributing to the decline in the domestic price level.

Capital Movements	1950	1951	Prelim. 1952
	(Millions of Dollars)		
Loans to United Kingdom and other governments—			
Drawings	−50	—	—
Repayments	+74	+68	+56
Net reduction in the U.S. dollar debt of the Government of Canada (expressed in U.S. dollars)	−50	—	—
Increase (−) in official reserves of gold and U.S. dollars (expressed in U.S. dollars)	−624	−37	−82
Other capital, including exchange adjustments, errors and omissions	+979	+493	−124
Total*	+329	+524	−150

* Equal in size but opposite in sign to net balance on current account.

TABLE 12

CANADA'S OFFICIAL HOLDINGS OF GOLD AND U.S. DOLLARS
(Millions of U.S. Dollars)

—	Exchange Fund Account and Bank of Canada		Other Government of Canada Accounts	Total
	Gold	U.S. Dollars	U.S. Dollars	Gold and U.S. Dollars
Sept. 15, 1939	204·9	33·8	22·4	261·1
Dec. 31, 1939	218·0	54·8	33·4	306·2
Dec. 31, 1940	136·5	172·8	20·8	330·1
Dec. 31, 1941	135·9	28·2	23·5	187·6
Dec. 31, 1942	154·9	88·0	75·6	318·5
Dec. 31, 1943	224·4	348·8	76·4	649·6
Dec. 31, 1944	293·9	506·2	102·1	902·2
Dec. 31, 1945	353·9	922·0	232·1	1,508·0
Dec. 31, 1946	536·0	686·3	22·6	1,244·9
Dec. 31, 1947	286·6	171·8	43·3	501·7
Dec. 31, 1948	401·3	574·5	22·0	997·8
Dec. 31, 1949	486·4	594·1	36·6[1]	1,117·1
Dec. 31, 1950	580·0	1,144·9	16·6	1,741·5
Dec. 31, 1951	841·7	899·5	37·4	1,778·6
Dec. 31, 1952	885·0	961·8	13·4	1,860·2

[1] Not including $18·2 million in United States dollars borrowed by the Government of Canada in August, 1949, and set aside for the retirement on February 1, 1950, of a security issue guaranteed by it and payable at the holder's option in United States dollars.

EMPLOYMENT AND EARNINGS

Canadian labour income is estimated at $10·9 billion for 1952, an increase of 12 per cent over 1951. Although this rise in money income was considerably smaller than the 17 per cent increase in 1951, it was a more significant gain in terms of purchasing power. This is apparent from the fact that the consumer price index rose by 10·5 per cent from 1950 to 1951 but by only 2·5 per cent from 1951 to 1952.

The gain in labour income was common to all the broad industrial categories. Manufacturing, where about one-third of total labour income originates, showed a gain of slightly more than 10 per cent on the basis of ten months' information. An increase of similar amount occurred in the next most important group, which includes public utilities, transportation, communication, storage and trade. The increase in the service industries was somewhat larger. The primary industries, on the other hand, recorded an increase of a little less than 10 per cent. By far the largest gain occurred in the construction industry which showed an increase of 24 per cent.

To some extent the 12 per cent rise in total labour income during 1952 was due to the expansion in employment. On a per capita basis the gains over 1951 have therefore been somewhat less. The annual average earned income per paid worker rose by $200 from $2,600 in 1951 to $2,800 in 1952. This increase of almost 8 per cent was possible because higher rates of pay more than offset the slight decline in the number of hours worked per week. In manufacturing, for example, the drop in hours worked per week was from 41·8 hours in 1951 to 41·4 hours in 1952. Hourly earnings in manufacturing were $1.32 at the end of 1952 compared with $1.24 a year earlier. Average weekly earnings in nine leading non-agricultural industries were $54.13 in 1952, an increase of $4.52 over 1951.

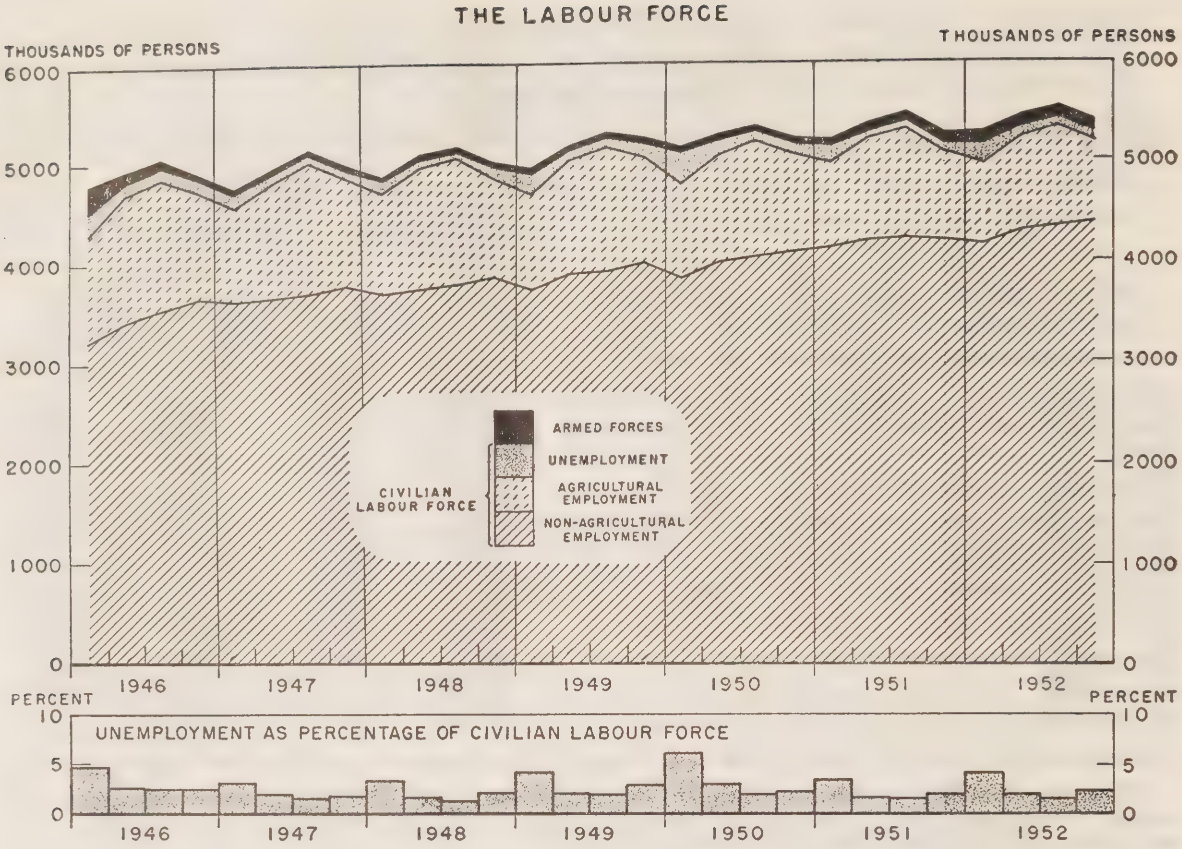


TABLE 13

THE CIVILIAN LABOUR FORCE

ANNUAL AVERAGES

(Thousands of Persons)

—	1949[1]	1950	1951	1952
Civilian Labour Force	5,036	5,157	5,231	5,304
Male	3,959	4,053	4,093	4,134
Female	1,077	1,104	1,138	1,170
Non-Agricultural	3,957	4,134	4,284	4,412
Agricultural	1,079	1,023	947	892
Persons without jobs and seeking work	131	169	108	130
Persons with jobs	4,905	4,988	5,123	5,174
In Non-Agricultural Industries	3,831	3,970	4,180	4,286
Paid Workers	3,294	3,422	3,645	3,765
Employers, own account workers and unpaid family workers	537	548	535	521
In Agriculture	1,074	1,018	943	888

[1] Excludes Newfoundland.

The average civilian labour force, which includes both the employed and the unemployed, grew during 1952 to a total of 5,304,000 persons, an increase of 73,000 or 1·4 per cent over 1951. The average number of persons employed during the year was 5,174,000 or 51,000 more than in 1951. The number of persons with jobs in agriculture declined by 55,000. There was an increase of 106,000 in the number of persons employed in the non-agricultural occupations.

Compared with the previous year, there was a decline of 69,000 in the number of people on short-time work. This drop was particularly noticeable during the latter part of 1952 and indicates an improvement in employment conditions.

Persons without jobs and seeking work averaged 130,000 during 1952 or 2·5 per cent of the labour force, compared with 108,000 or 2·1 per cent in 1951. However these figures are not a complete indication of the difference in employment conditions in the two years. In the first place, the comparison of annual averages hides the improvement in the employment situation during the second half of 1952. In the second place, the total of those without jobs and seeking work is only one indicator of employment conditions. As noted above, there was, particularly in the latter part of 1952, a significant reduction in the number of persons working part time.

During 1952, 53·4 per cent of the non-institutional civilian population over 14 years of age were in the civilian labour force compared with 53·7 per cent in 1951. In addition to the civilian labour force, there were 101,000 in the armed forces at the end of 1952 compared with 88,000 at the end of 1951.

PRICE TRENDS

The period of rapidly rising prices which followed the outbreak of war in Korea carried prices to new peaks. In the case of the wholesale price index the peak was reached in July, 1951 after a rise of 16·5 per cent from June, 1950. Consumer prices were slower to reflect the renewal of inflationary pressure but continued their advance until January, 1952, at which point they were 16 per cent above the June 1950 level. The price declines of 1952 carried the indexes back some distance from their previous high points. The drop in the wholesale price index during 1952 amounted to 6·6 per cent and in the consumer price index to 2 per cent. But all price movements were not consistent with the downward trend in the indexes nor were all groups affected in the same degree. Most noteworthy were the declines in the prices of certain foods and primary products which had risen sharply in the previous advance. At the same time the rise in the value of the Canadian dollar substantially reduced the cost of imports and thus affected a large part of our price structure. But the prices of services and of many goods in which the domestic labour content is high, tended to advance moderately under the pressure of rising wage costs and real incomes.

The index of wholesale prices fell off by 6·6 per cent during the course of the year and for the year as a whole averaged 5·8 per cent lower than in 1951. The more rapid decline occurred during the first five months of the year and amounted to more than 5 per cent. A slight upturn in June and July was again followed by steady month-to-month decreases for the balance of the year, though at a slower rate than for the early months. The decline of the index from 243·7 in July, 1951 to 221·2 in December, 1952, amounted to 9·2 per cent and brought wholesale prices back to a level lower than that which prevailed in the month of September, 1950.

The index of industrial materials fell more rapidly than any other major price component in the wholesale index.

CANADIAN WHOLESALE PRICES AND COST OF LIVING INDEXES

1926 — 1952

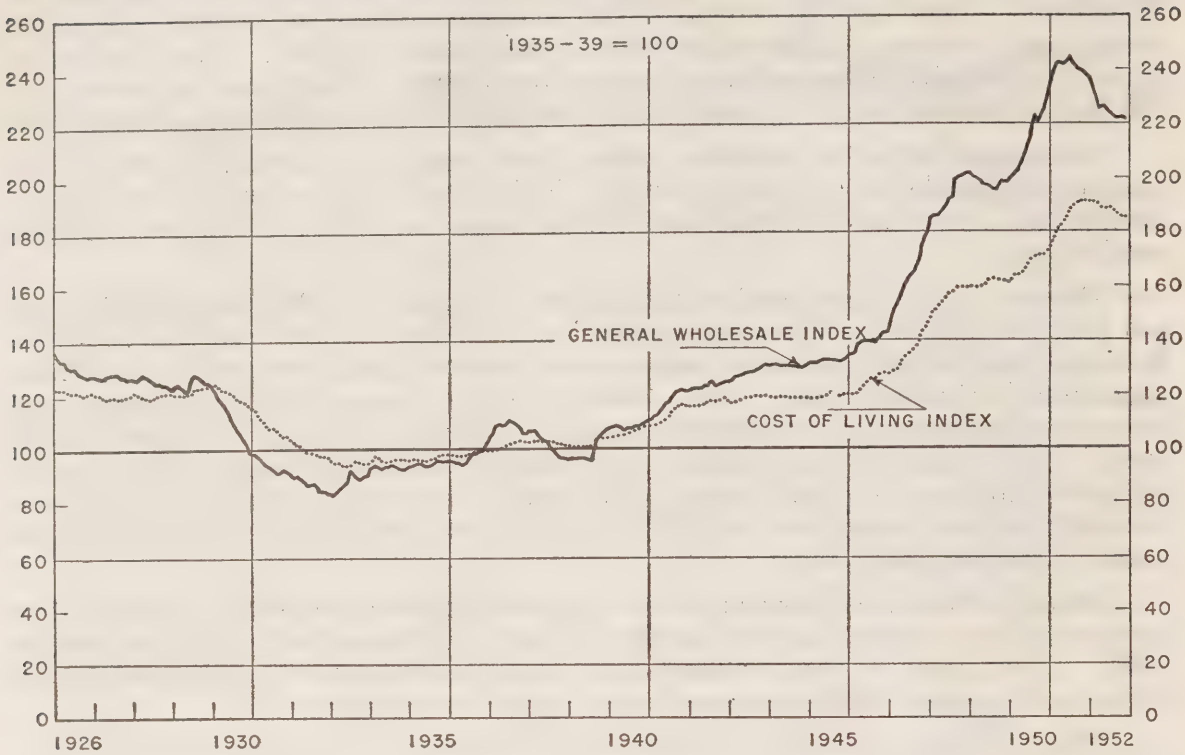


TABLE 14

WHOLESALE PRICE INDEXES

(1935-39=100)

—	Total	Canadian Farm Products	Fully and Chiefly Manufactured Goods
1939	99·2	92·6	101·9
1940	108·0	96·1	109·9
1941	116·4	106·6	118·8
1942	123·0	127·1	123·7
1943	127·9	145·4	126·9
1944	130·6	155·3	129·1
1945	132·1	166·4	129·8
1946	138·9	179·5	138·0
1947	163·3	192·2	162·4
1948	193·4	232·1	192·4
1949	198·3	228·7	199·2
1950	211·2	236·7	211·0
1951	240·2	268·6	242·4
1952	226·2	244·4	230·9
1952—January	236·8	271·5	239·7
February	232·6	259·6	236·2
March	230·8	256·7	234·6
April	226·9	253·8	230·7
May	224·8	252·7	228·1
June	226·5	257·9	230·6
July	225·5	252·8	230·0
August	223·9	236·2	228·8
September	222·1	225·5	228·0
October	221·0	221·3	227·7
November	221·9	222·9	228·8
December	221·2	222·3	228·1

NOTE:—1952 indexes are preliminary.

The decline for the year was almost as great as the decline in the index of farm prices. Fully and chiefly manufactured goods followed a moderate downward trend over the twelve-month period with prices at December, 1952 about 5 per cent below the level at the beginning of the year. The comparative price stability of general building materials is an example of resistance to the general trend. This index moved during the course of the year within a narrow range set by a high of 289·6 in February and a low of 286·2 in April.

The commentary on consumer prices is in terms of the new consumer price index (basis 1949 = 100) because it is a more complete and up-to-date index of movements in consumer prices than the cost-of-living index which it will soon replace. However, the charts use the old cost-of-living index because its base period (1935-39 = 100) corresponds to the base periods of the indexes with which it is compared.

Unlike the wholesale price index, the consumer price index did not average less in 1952 than in 1951, although the trend was downward in the early part of the year. At the year-end the index was 0·6 per cent below the average for the year as a whole and 2 per cent below the level at the beginning of the year. This was the first time since 1944 that the index had ended the year lower than it had begun. But as indicated above this movement in the total index must be viewed in the light of the exceptional advance of the previous year and the influence of lower import prices.

TABLE 15

CONSUMER PRICE INDEXES

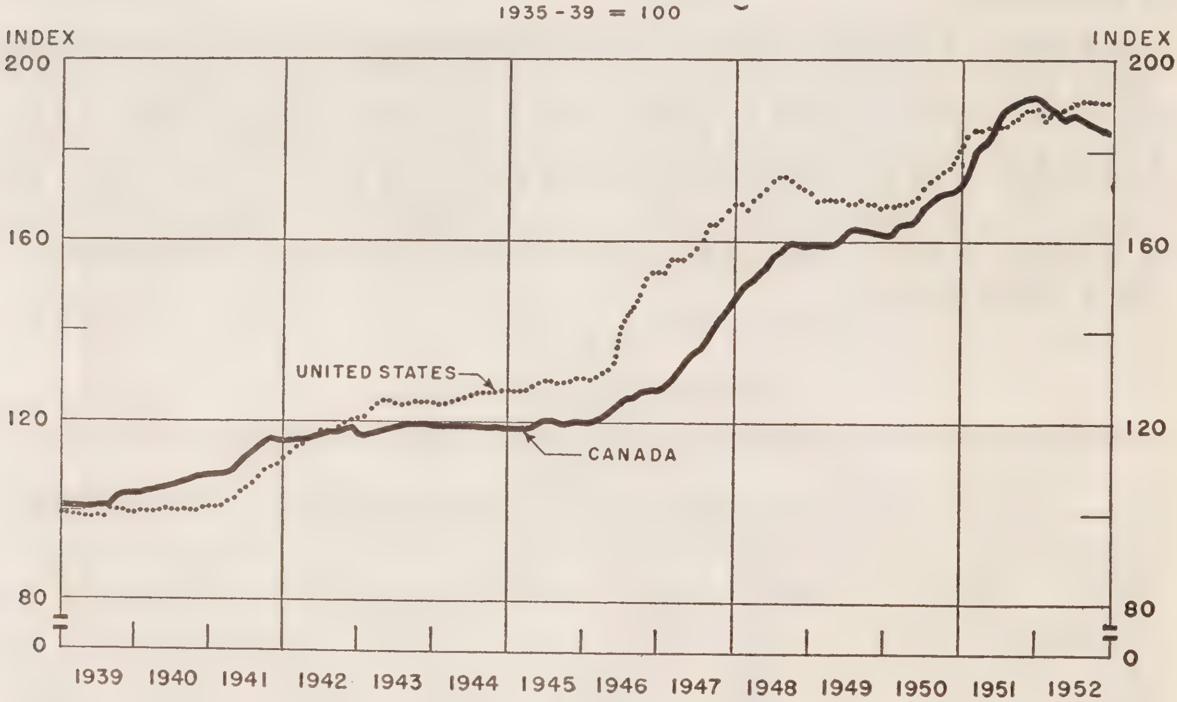
—	Canada				United States	
	Consumer Price Index		Cost of Living Index			
	Total	Food	Total	Food	Total	Food
	1949 = 100		1935–39 = 100		1935–39 = 100	
1939	63·2	50·2	101·5	100·6	99·4	95·2
1940	65·7	52·6	105·6	105·6	100·2	96·6
1941	69·6	57·9	111·7	116·1	105·2	105·5
1942	72·9	63·4	117·0	127·2	116·6	123·9
1943	74·2	65·2	118·4	130·7	123·7	138·0
1944	74·6	65·5	118·9	131·3	125·7	136·1
1945	75·0	66·3	119·5	133·0	128·6	139·1
1946	77·5	70·0	123·6	140·4	139·5	159·6
1947	84·8	79·5	135·5	159·5	159·6	193·8
1948	97·0	97·5	155·0	195·5	171·9	210·2
1949	100·0	100·0	160·8	203·0	170·2	201·9
1950	102·9	102·6	166·5	210·9	171·9[1]	204·5[1]
1951	113·7	117·0	184·5	241·1	185·6	227·4
1952	116·5	116·8	187·5	237·4	189·8	231·5
1952—January	118·2	122·4	191·5	250·0	189·1	232·4
February	117·6	120·8	190·8	248·1	187·9	227·5
March	116·9	117·6	189·1	241·7	188·0	227·6
April	116·8	117·2	188·7	240·2	188·7	230·0
May	115·9	115·5	186·7	235·3	189·0	230·8
June	116·0	115·7	187·3	237·0	189·6	231·5
July	116·1	116·0	188·0	239·5	190·8	234·9
August	116·0	115·7	187·6	238·0	191·1	235·5
September	116·1	115·8	186·5	234·2	190·8	233·2
October	116·0	115·1	185·0	229·3	190·9	232·4
November	116·1	115·7	184·8	229·0	191·1	232·3
December	115·8	114·1	184·2	226·1	190·7	229·9

[1] Adjusted series United States Consumers' Price Index from January, 1950, forward.

The greatest reduction in the consumer price index for 1952 occurred in the food group. The index of food prices fell by almost 7 per cent during the year, the drop in meat prices being particularly noticeable. This downward adjustment in food prices has been almost continuous since the peak was reached in November, 1951 but the major decline took place in the first half of 1952. The food group was the only group in which prices averaged less for 1952 than for 1951. There was no comparable drop in United States' food prices during 1952; but the percentage rise during 1951 had been little more than one-third as great as in Canada. Prices for clothing also followed a downward trend during 1952. The largest upward movement took place in rents, while the cost of household operation remained practically unchanged. In general, the price of services was higher while the price of goods was lower.

COST OF LIVING

1935-39 = 100



Part II

REVIEW OF GOVERNMENT ACCOUNTS 1952-53

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Part II

REVIEW OF GOVERNMENT ACCOUNTS 1952-53

1. INTRODUCTION

Because of the early date at which the budget is being brought down, the figures which are presented in this Part for the fiscal year ending March 31, 1953, must be regarded as preliminary and subject to revision. Moreover, while the government's fiscal year ends on March 31, the books must remain open for several weeks after that date in order to record various adjusting entries and to take into account all payments up to and including April 30 made on account of expenditures originating in, and properly chargeable to, the fiscal year 1952-53.

Final figures for each year's operations are not available before some time in August. Normally the Budget White Paper figures are based upon eleven months actual and one month estimated. This year the figures are based on nine months actual and three months estimated. It may well be that the final figures when they become available next August will show somewhat greater variations than usual from those given in the following pages.

2. HIGHLIGHTS OF GOVERNMENTAL FINANCIAL OPERATIONS DURING 1952-53

The revenues of the Government for the fiscal year ending March 31, 1953, are now estimated at $4,375 million. This is approximately $96 million or just over 2 per cent more than the amount of $4,279 million forecast last year at the time of the budget and about $394 million or nearly 10 per cent more than the total collected in the preceding year. Expenditures are estimated at $4,327 million. On the basis of these figures the indicated surplus is $48 million, compared with $248 million for the fiscal year ended March 31, 1952. The fiscal year 1952-53 is therefore the seventh consecutive year in which the financial operations of the Government will result in a budgetary surplus. As a result, the Government's net debt (the excess of total liabilities over total active assets) will be reduced by an equivalent amount, bringing to a total of $2,284 million the amount by which the Government will have reduced its net debt during those seven years. This represents a reduction of more than one-fifth of the total increase in net debt during the entire period of the war and is approximately equivalent to the amount by which the net debt increased during the first three and one-half years after the outbreak of war in 1939.

Although the budgetary surplus for 1952-53 is estimated at $48 million, the Government made loans, advances and other non-budgetary disbursements of about $627 million, while, at the same time, the unmatured funded debt in the hands of the public increased by only $141 million. The manner in which this has been achieved can be understood more readily by taking an over-all view of the Government's cash transactions for the fiscal year.

As explained in greater detail in the section on "The Cash Position", the estimated budgetary surplus of $48 million for the fiscal year does not reflect the full impact of Government operations upon the Canadian economy. Substantial amounts are received and paid out for extra-budgetary purposes (such

as the loans and advances which the Government is required to make and the transactions in connection with the many superannuation, insurance, pension, annuity and deposit and trust accounts which it has undertaken to hold or administer).

These non-budgetary disbursements are estimated at $627 million and include $125 million to the C.N.R. for capital expenditures on additions and betterments and the acquisition of new rolling stock and equipment, $76 million advanced to the Central Mortgage and Housing Corporation for house construction and for housing loans, $67 million to the Agricultural Prices Support Account, $50 million to the Exchange Fund to finance the increase in our foreign exchange reserves, some $34 million advanced to the Defence Production Revolving Fund to acquire materials essential to Canada's defence programme, about $100 million to finance pension payments out of the Old Age Security Fund which were not covered by old age security tax receipts, $31 million representing the decrease in the Provincial 5 per cent corporation income tax suspense account, and $109 million reflecting a decrease in outstanding cheques and interest and accounts payable. Offsetting these are non-budgetary receipts and credits amounting to $449 million, including $171 million from net annuity, pension and other liability account receipts, $64 million for repayments of sundry loans and investments, the increase of $75 million in the reserve for possible losses on the ultimate realization of active assets and sundry other items amounting in the aggregate to $139 million.

After taking into account the budgetary surplus of $48 million and the net requirements of $178 million for these non-budgetary transactions it is now estimated the amount that had to be financed by net new borrowing will amount to approximately $130 million. As unmatured funded debt in the hands of the public is expected to increase by approximately $141 million during the year, the Government's cash balances will increase by $11 million.

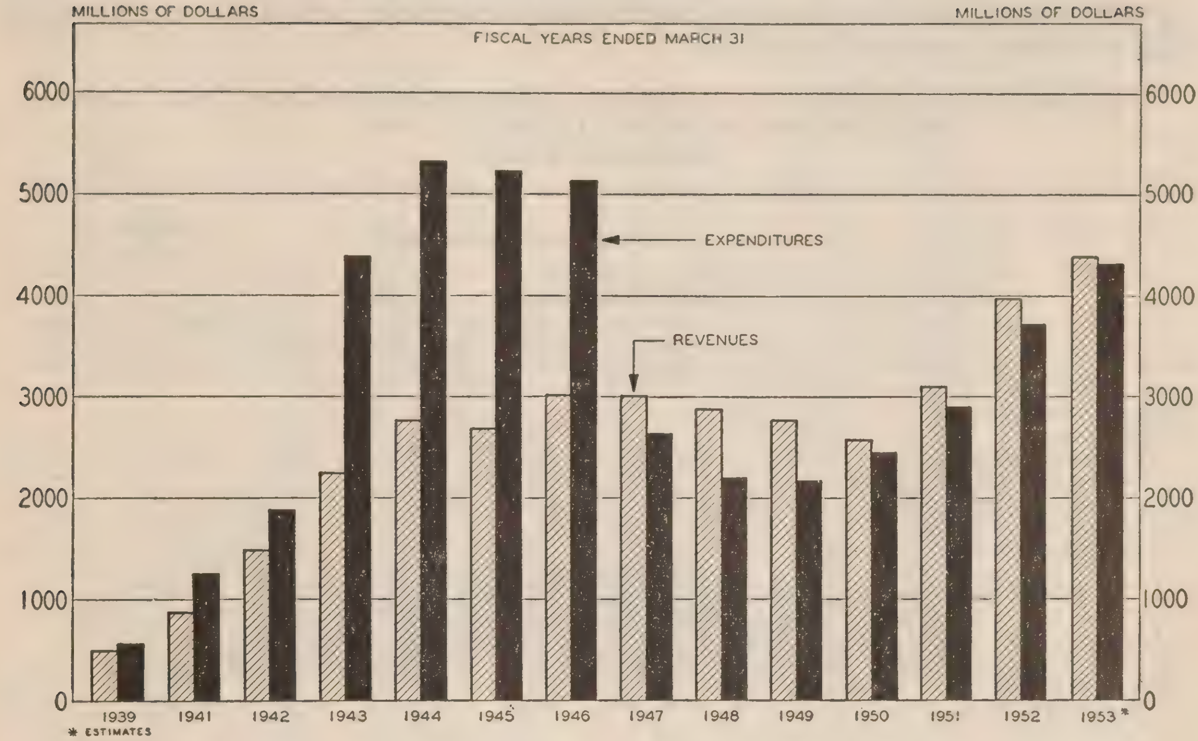
3. THE BUDGETARY ACCOUNTS

The table which follows gives a summarized statement of estimated revenues and expenditures and surplus for the fiscal year ended March 31, 1953, with the comparable figures for the four preceding fiscal years:

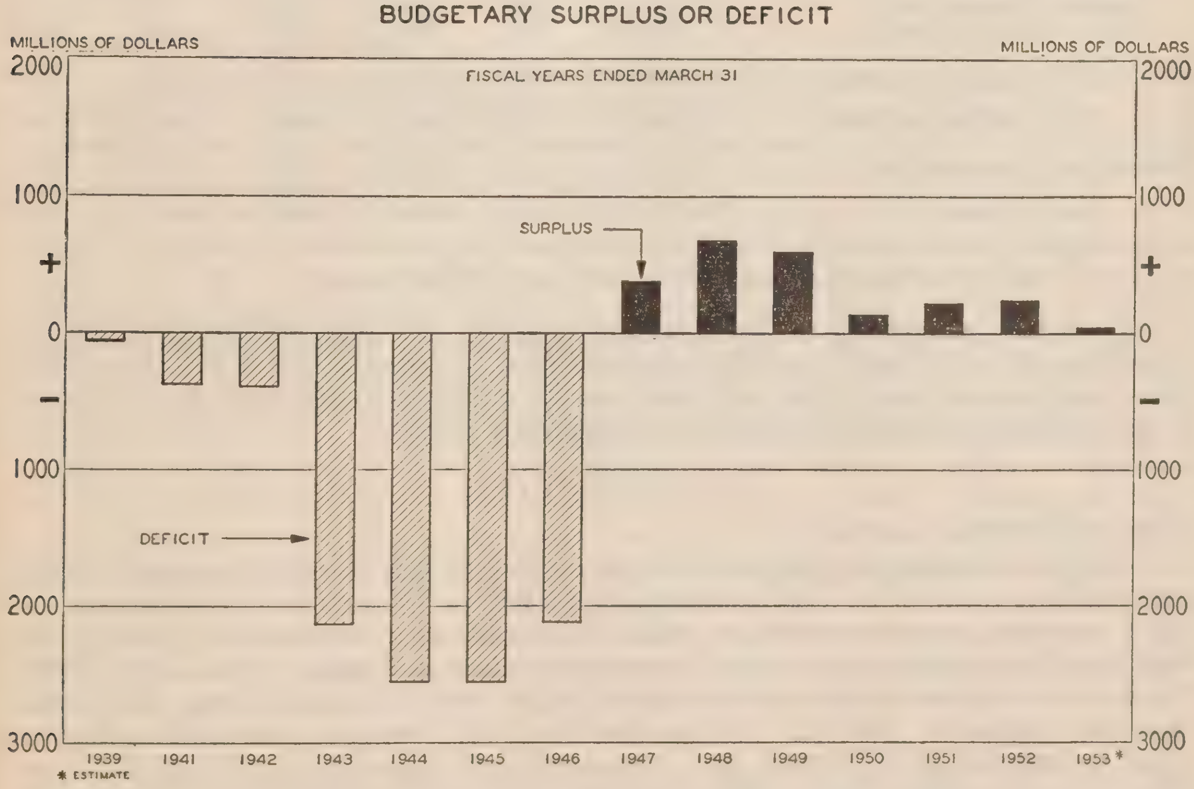
—	Fiscal Years Ended March 31				
	1949	1950	1951	1952	1953 (Estimated)
	(In millions of dollars)				
Revenues	2,771·4	2,580·1	3,112·5	3,980·9	4,374·6
Expenditures	2,175·9	2,448·6	2,901·2	3,732·9	4,326·8
Surplus	595·5	131·5	211·3	248·0	47·8

Total revenues, estimated at $4,374·6 million for 1952-53, are expected to show an increase of $393·7 million over the total for the previous fiscal year. Total expenditures are estimated at $4,326·8 million or $593·9 million more than the corresponding total for 1951-52.

BUDGETARY REVENUES AND EXPENDITURES



BUDGETARY SURPLUS OR DEFICIT



A. Analysis of Revenues

Estimated budgetary revenues for the year 1952-53, classified according to major categories, are presented in the following table, with the corresponding figures for the previous fiscal year.

STATEMENT OF REVENUES, BY MAJOR CLASSIFICATIONS, FOR THE YEARS ENDED MARCH 31, 1953 AND MARCH 31, 1952
(In millions of dollars)

Source	Fiscal Year Ended March 31				Increase or Decrease (−)	
	1953 (Estimated)		1952			
	Amount	Percent	Amount	Percent	Amount	Percent
Ordinary revenues—						
Direct taxes—						
Personal income tax	1,187·8	27·2	975·7	24·5	212·1	21·7
Non-resident income taxes	54·0	1·2	55·0	1·4	−1·0	−1·8
Corporation income tax	1,231·1	28·1	1,130·7	28·4	100·4	8·9
Excess profits tax	....	....	2·4	0·1	−2·4	
Succession duties	38·0	0·9	38·2	0·9	−0·2	−0·5
Total direct taxes	2,510·9	57·4	2,202·0	55·3	308·9	14·0
Indirect taxes—						
Customs import duties	379·0	8·7	346·4	8·7	32·6	9·4
Excise duties	257·0	5·9	217·9	5·5	39·1	17·9
Excise taxes	851·9	19·5	885·9	22·3	−34·0	−3·8
Other taxes	11·5	0·3	5·6	0·1	5·9	105·4
Total indirect taxes	1,499·4	34·3	1,455·8	36·6	43·6	3·0
Total tax revenues	4,010·3	91·7	3,657·8	91·9	352·5	9·6
Non-tax revenues—						
Post Office	111·8	2·5	104·6	2·6	7·2	6·9
Return on investments	116·0	2·7	117·6	3·0	−1·6	−1·4
Other non-tax revenues	56·0	1·3	59·8	1·5	−3·8	−6·4
Total non-tax revenues	283·8	6·5	282·0	7·1	1·8	0·6
Total ordinary revenues	4,294·1	98·2	3,939·7	99·0	354·4	9·0
Special receipts and credits	80·5	1·8	41·2	1·0	39·3	94·9
Total revenues	4,374·6	100·0	3,980·9	100·0	393·7	9·9

Note.—Due to rounding off, columns may not add exactly to totals shown.

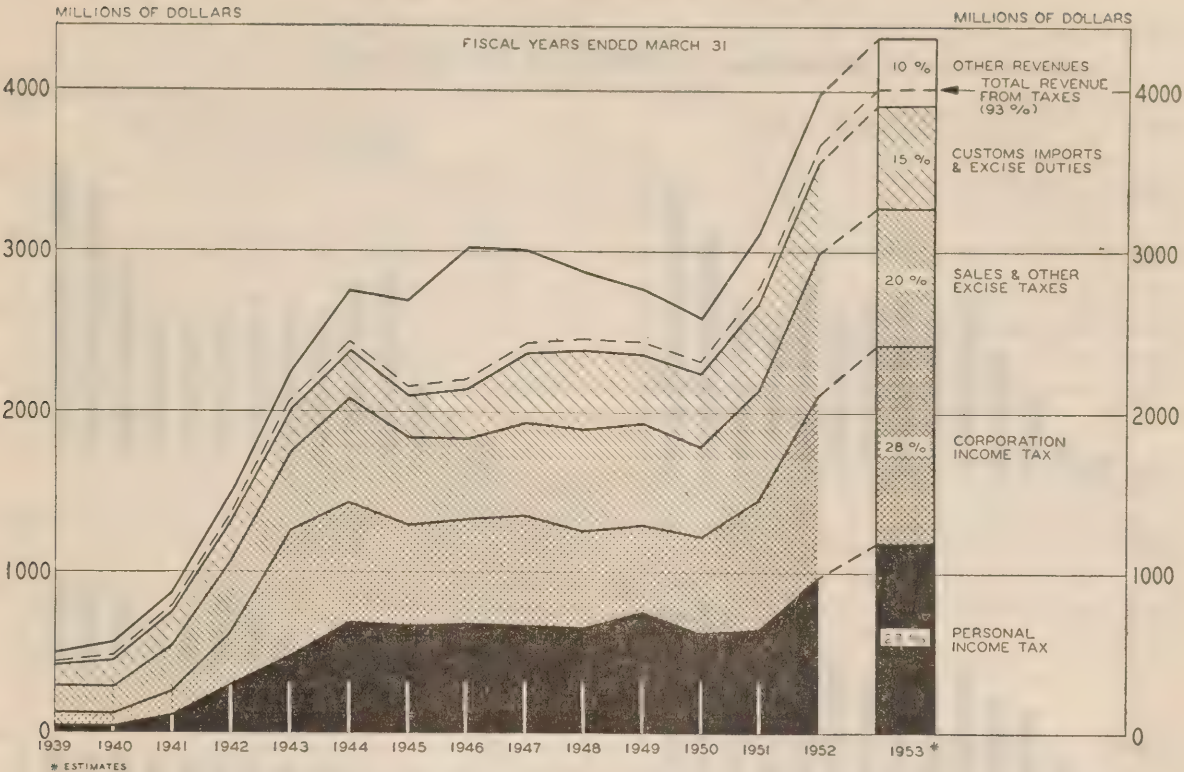
It is estimated that of the total revenues for the year, \$2,510·9 million or 57·4 per cent will have been derived from direct taxes, \$1,499·4 million or 34·3 per cent from indirect taxes, and the remaining \$364·3 million or 8·3 per cent from non-tax revenues and special receipts and credits.

(1) Direct Taxes

Tax on Personal Incomes

It is estimated that personal income tax (excluding the old age security tax) will yield a total of \$1,188 million in 1952-53, an increase of \$212 million, or 21·7 per cent over the previous year. This increase occurred in spite of the fact that deductions of tax at the source from salary and wages since July 1, 1952, have been made at rates averaging about 6 per cent less than during the corresponding period in 1951-52. While that part of income tax revenue which is paid as balances with returns and in quarterly instalments in 1952-53 is determined by somewhat higher rates than in the previous fiscal year, the greater part of the increase in revenue is attributable to a substantial increase in personal incomes during the year.

BUDGETARY REVENUES BY SOURCE



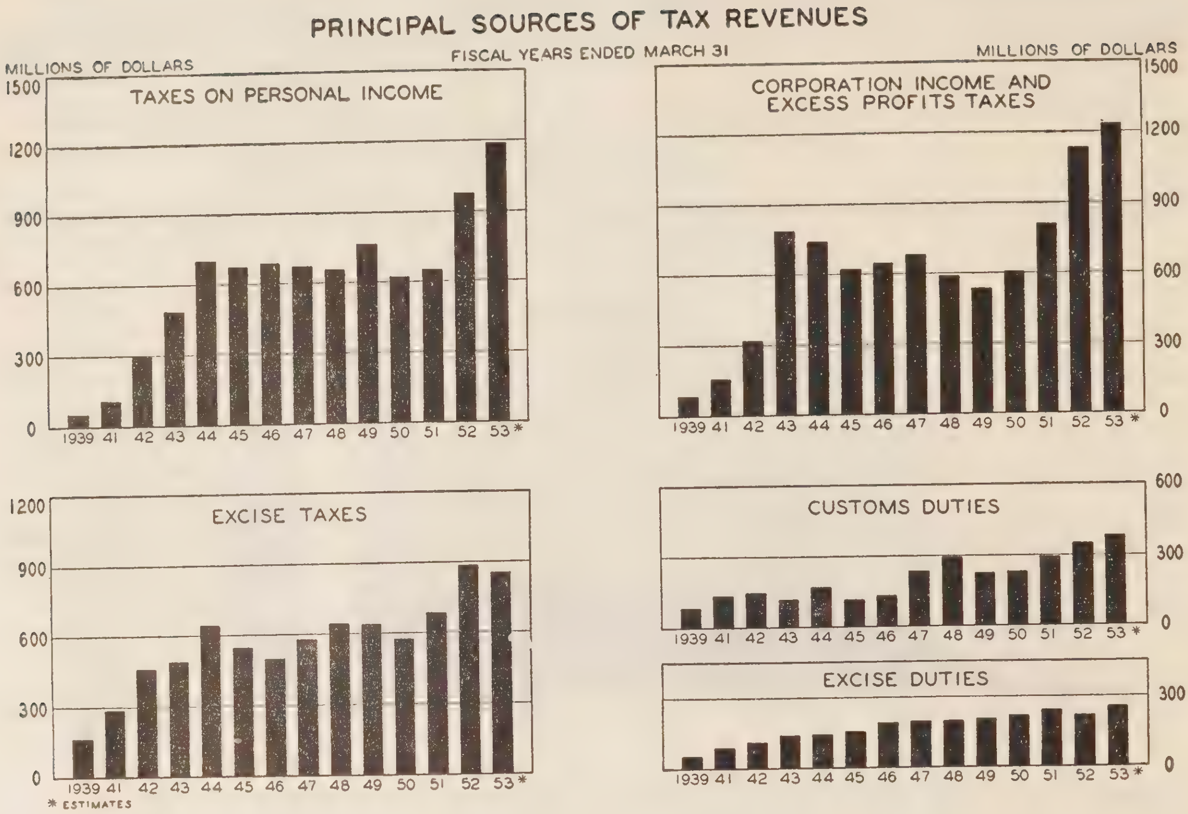
Taxes on Interest, Dividends, Rents and Royalties Going Abroad

Revenues under this heading are derived from withholding taxes on payments of interest, dividends, rents and royalties made to non-residents. The estimated total of $54 million is $1 million less than in the previous year.

Corporation Income Tax

Collections from this tax (excluding the old age security tax) are expected to amount to approximately $1,231 million, an increase of 9 per cent over the previous year's total of $1,130·7 million. This increase, which occurred despite the fact that corporation profits for 1952 were lower than in 1951, is due to the changes in the federal rates of tax announced in the 1952 Budget and to the fact that the Province of Ontario entered into a tax rental agreement withdrawing from the corporation tax field as from January 1, 1952. The 5 per cent corporation income tax levied by all provinces except Ontario and Quebec under provisions of the tax rental agreements signed in 1947 was not levied by the provinces on profits earned after December 31, 1951. The 1952 Budget announced that this tax would be incorporated into the federal rates of tax commencing January 1, 1952, increasing the federal rates for 1952 from 15 per cent on the first $10,000 of profits and 45·6 per cent on profits in excess of $10,000, to rates of 20 per cent and 50 per cent respectively. In those provinces which did not enter into a tax agreement, corporations were allowed to take a credit against their federal tax equal to 5 per cent of their profits attributable to operations therein. This reduced the effective federal rate on profits earned in Quebec to 15 per cent on the first $10,000 and 45 per cent on profits in excess of $10,000. As a result of the Province of Ontario entering into a tax agreement, corporations paid federal tax at the full rates of 20 per cent and 50 per cent on their 1952 profits earned in that Province.

The total revenue from corporation income tax includes $8 million paid by corporations paying the 15 per cent tax on their undistributed income. This is $6 million less than that collected from this source in 1951-52.



Succession Duties

Revenue from succession duties is estimated at $38 million for 1952-53, as compared with $38·2 million in the previous year.

(2) Indirect Taxes

Customs Import Duties

Net revenue from customs import duties for the year is estimated at $379 million, an increase of $32·6 million over the total for 1951-52. The total value of imports is not expected to show much change from the previous year, but there appears to have been some reduction in the proportionate value of non-dutiable and low duty goods imported as compared with the quantities and prices of goods subject to higher rates of duty.

Excise Duties

Excise duties are levied exclusively on alcoholic beverages and tobacco products. (Additional taxes are levied on tobacco products under the Excise Tax Act). The revenue from these taxes for the year is estimated at $257 million, an increase of $39·1 million over the previous year's total of $217·9 million. This increase is mainly due to increased sales of cigarettes and beer. Gross receipts from excise duties, before deducting refunds, are divided as follows: $136 million from alcoholic beverages ($120·9 million in 1951-52), and $124 million from tobacco products ($100·7 million in 1951-52).

Excise Taxes

Net excise tax collections (excluding the 2 per cent old age security sales tax) are estimated at $852 million in 1952-53, a decrease of $34 million from the previous year.

The principal tax levied under the Excise Tax Act from the standpoint of revenue is the sales tax. The gross revenue from sales tax is estimated at $584 million, a decrease of $3·2 million from the previous year. The decrease is due to the fact that in 1952-53 the sales tax rate levied under the Excise Tax Act is 8 per cent, whereas in 1951-52 the rate was 10 per cent for the first nine months of the fiscal year and 8 per cent after January 1, 1952, when the 2 per cent sales tax provided by the Old Age Security Act came into effect. (The 2 per cent old age security sales tax is expected to yield $142 million as compared with $24·3 million in 1951-52).

It is estimated that excise taxes other than sales tax will yield approximately $284 million, as compared with $312 million in 1951-52. The decrease in revenue from these taxes is due to the tax reductions introduced in April, 1952. At that time items which had been taxed at 25 per cent became taxable at 15 per cent, the 15 per cent tax on stoves, washing machines, and refrigerators, was repealed, the 30 per cent tax on soft drinks was reduced to 15 per cent, and the tax on cigarettes was reduced $1.50 per thousand.

Next to the sales tax the largest revenue source among the excise taxes is the tax on tobacco products which will yield an estimated $107·5 million, an increase of $1·2 million over the previous year. The most important item in this group is the revenue from the tax on cigarettes which is expected to be only about $5 million less than in the previous year despite the reduction in the rate of tax introduced in April, 1952. The revenue from the tax on manufactured tobacco will show a sharp increase for the year.

Most of the other excise taxes will show a decrease in revenue in 1952-53 due to the lower rates in effect for the year. The largest decrease will be in the revenue from the tax on automobiles, tires and tubes, which will yield an estimated $87 million, $13·9 million less than in 1951-52. The tax on soft drinks which was reduced from 30 per cent to 15 per cent, will yield an estimated $13 million as compared with $19·2 million in 1951-52.

Other Indirect Taxes

The taxes under this heading are the tax on premium income of insurance companies, the tax on the export of electrical energy from Canada, and the tax on the export of furs from the Northwest Territories. These taxes will yield an estimated total of $11·5 million, an increase of $5·9 million over 1951-52. The tax on premium income of insurance companies will yield an estimated $10·7 million as compared with $4·8 million in 1951-52. This increase was brought about by the Province of Ontario's repeal of a similar tax which had been deductible from the federal tax.

(3) Non-Tax Revenues

The total of non-tax revenues for 1952-53 is estimated at $283·8 million compared with $281·9 million for 1951-52. The following table presents a comparative summary of revenues under this heading for the past two years:

NON-TAX REVENUES FOR THE FISCAL YEARS ENDED MARCH 31, 1953 AND MARCH 31, 1952

—	Fiscal year ended March 31		Increase or Decrease (−)
	1953 (Estimated)	1952	
	(In millions of dollars)		
Post Office	111·7	104·6	7·1
Return on investments	116·0	117·6	−1·6
Premium, discount and exchange	6·8	17·7	−10·9
Bullion and coinage	4·2	4·8	−0·6
Privileges, licences and permits	12·0	10·4	1·6
Proceeds from sales	5·0	4·5	0·5
Services and service fees	19·0	16·0	3·0
Refunds of previous years' expenditures	7·0	4·2	2·8
Miscellaneous	2·0	2·1	−0·1
Total non-tax revenue	283·8	281·9	1·9

Gross Post Office receipts for 1952-53 are expected to amount to $129·5 million. After making authorized disbursements from revenue of $17·8 million for salaries and rent allowances at semi-staff and revenue offices, commissions at sub-offices, transit charges on Canadian mail forwarded through or delivered in foreign countries, etc., net Post Office receipts credited to budgetary revenues are estimated at $111·7 million. The increase of $7·1 million over the corresponding amount received in 1951-52, is due primarily to the fact that the new postal rates were in effect for nine months in 1951-52 and for twelve months in 1952-53. As costs of operating the Post Office during 1952-53 (excluding the $17·8 million charged to revenue) are expected to total $106·2 million, net revenue will exceed net costs by approximately $5·5 million. However, in making this comparison it is to be noted that the total shown for Post Office revenues does not reflect the value of services rendered free of charge to other departments, nor does the total shown for operating expenses reflect any charges for premises occupied by the Post Office Department or for certain accounting and miscellaneous services provided by other departments.

Return on investments is expected to yield $116 million, a decrease of $1·6 million, compared with the total of $117·6 million received in 1951-52. Due to the conversion of fifty per cent of the C.N.R.'s total fixed interest bearing debt into 4 per cent preferred stock under the provisions of the Canadian National Railways Capital Revision Act, 1952, interest on loans received from this Company decreased by $21·1 million. This decrease, however, is offset by increases in the profits of the Bank of Canada and the Exchange Fund during 1952 estimated at $4·7 million and $2·2 million respectively and by an amount of $9·7 million received from Polymer Corporation Limited representing dividends and interest on debentures.

A comparative summary of estimated receipts during 1952-53 with actual receipts during 1951-52 under this heading is given in the following table:

RETURN ON INVESTMENTS FOR THE FISCAL YEARS ENDED MARCH 31, 1953 AND MARCH 31, 1952

—	Fiscal year ended March 31		Increase or Decrease (−)
	1953 (Estimated)	1952	
	(In millions of dollars)		
Loans to, and investments in, Crown agencies—			
Bank of Canada	28·9	24·2	4·7
Exchange Fund Account	14·8	12·6	2·2
Canadian National Railways	2·3	23·4	−21·1
Central Mortgage and Housing Corporation	9·2	7·2	2·0
National Harbours Board	4·7	4·5	0·2
Polymer Corporation Limited	9·7	....	9·7
Other Crown agencies	1·6	1·3	0·3
	71·2	*73·2*	*−2·0*
Other loans and investments—			
United Kingdom	23·4	23·7	−0·3
Other National Governments	12·6	13·3	−0·7
Provincial and Municipal Governments	1·2	1·2	
Soldier and General Land Settlement Loans and Veterans' Land Act Advances	4·8	4·4	0·4
Securities Investment Account	1·5	0·7	0·8
Other loans and investments	1·3	1·1	0·2
	44·8	*44·4*	*0·4*
	116·0	117·6	−1·6

The amount credited to premium, discount and exchange in 1952-53 is estimated at \$6·8 million compared with a credit of \$17·7 million in 1951–52. This revenue item is due mainly to book-keeping adjustments in asset and liability accounts reflecting a reduction in U.S. dollar and sterling exchange rates from those operative in the fiscal year 1951-52. It is estimated that the Canadian dollar equivalent of outstanding debt payable in sterling and in United States dollars will be reduced in consequence of this revaluation by \$6·8 million offset by \$0·8 million reduction in assets payable in these currencies. The result is a net credit in the premium, discount and exchange account of \$6 million. Net differences in rates on current gold and foreign exchange transactions are expected to account for a further credit of \$0·8 million resulting in a net revenue item of \$6·8 million.

(4) Special Receipts and Credits

Special receipts and credits are estimated at \$80·3 million for the fiscal year 1952-53 as compared with total receipts of \$41·2 million in the previous year. The following table presents a comparative summary of the sources of special receipts and other credits for the last two years:

SPECIAL RECEIPTS AND OTHER CREDITS FOR THE FISCAL YEARS ENDED MARCH 31, 1953, AND MARCH 31, 1952

	Fiscal Year Ended March 31		Increase or Decrease (−)
	1953 (Estimated)	1952	
	(In millions of dollars)		
Sale of surplus Crown assets	7·8	14·7	−6·9
Central Mortgage and Housing Corporation—			
Surplus paid to Receiver General	2·0	3·1	−1·1
Proceeds from the sale of wartime housing properties	5·5	9·9	−4·4
Depreciation reserve on wartime housing properties sold by the Corporation	1·1	....	1·1
Transfer from suspense account of surpluses received from the Canadian Wheat Board in connection with operations conducted under P.C. 1292 of April 3, 1947, with respect to oats and barley	6·3	....	6·3
Surplus—Canadian Arsenals Ltd	5·0	1·2	3·8
Write-up from previous years' expenditure to Loans and Investments—Atomic Energy of Canada, Ltd.—issue of capital stock	4·8	....	4·8
Refundable portion of income tax and excess profits tax—transfer to revenue of excess reserves set up in previous years	....	7·3	−7·3
Transfer to revenue of portion of the balance of provincial 5% corporation income tax suspense account pursuant to the 1952 tax rental agreements	45·0	....	45·0
Military relief and currency credits arising from war settlements	....	2·6	−2·6
Sundry other special receipts and credits	3·0	2·4	0·6
	80·5	41·2	39·3

The amount of $7·8 million realized from the disposal of surplus Crown assets represents the estimated receipts during the fiscal year from Crown Assets Disposal Corporation after allowing for transfers to active assets of amounts applicable to "Balances receivable under agreements of sale of Crown assets". It does not include the residual cash balances nor the value of accounts receivable carried by the Corporation as at March 31, 1953.

It is estimated that $8·6 million will be received from Central Mortgage and Housing Corporation of which $2 million represents surplus funds in excess of the $5 million reserve established by the Corporation, $5·5 million the proceeds of the sale of Wartime Housing properties, and $1·1 million a depreciation reserve built up in previous years on properties that have now been sold by the Corporation. This is in addition to the $9·2 million interest on loans to the Corporation credited to "Return on Investments."

The amount of $45 million represents the transfer to revenue of approximately one-half of the balance of provincial 5 per cent corporation income tax suspense account. For a fuller explanation see sundry suspense (liability) accounts in the section on "Estimated Balance Sheet Position at March 31, 1953".

The other principal items are the transfer to revenue of certain surpluses received in 1948 from The Canadian Wheat Board with respect to oats and barley accounts which had been held in suspense; the estimated surplus of Canadian Arsenals Limited for the year ended March 31, 1952; and a credit consequent upon the issue of 4,800 shares of common stock to the Government

of Canada by Atomic Energy of Canada, Limited in exchange for assets comprising the Atomic Energy Project at Chalk River, Ontario, which were transferred to the Company as at April 1, 1952. This transaction represents a write-up of previous years' expenditures and consequently appears in the Government's assets under Loans and Investments in Crown Agencies.

(5) Comparison of Actual Revenue with Budget Forecast

Total budgetary revenues, excluding revenue from the old age security taxes, for 1952-53 as now estimated will be about $96 million more than the forecast made in the budget speech of April 8, 1952. This is a difference representing in terms of the total amounts involved an excess over the amount forecast of only slightly more than 2 per cent. It is expected that revenues from personal income tax, corporation income tax, non-resident income taxes, and succession duties, will be less than the amounts forecast, while revenues from customs import duties, excise duties, sales tax and excise taxes (other than sales tax), will be larger than expected. The following table shows in detail the extent to which it is expected that actual revenues will differ from the budget forecast.

COMPARISON OF BUDGET FORECAST WITH ACTUAL REVENUE
FOR 1952-53
(in millions of dollars)

Source of Revenue	Budget Forecast of Revenue	Actual Revenue (Estimated)	Increase or Decrease (−) Compared with Budget Forecast
	$	$	$
Personal income tax	1,200·0	1,187·7	−12·3
Non-resident income taxes	60·0	54·0	−6·0
Corporation income tax	1,270·0	1,231·1	−38·9
Succession duties	43·0	38·0	−5·0
Customs import duties	370·0	379·0	9·0
Excise duties	240·0	257·0	17·0
Sales tax (net)	539·0	568·0	29·0
Other excise taxes	252·0	284·0	32·0
Miscellaneous taxes	5·0	11·5	6·5
Total tax revenues	3,979·0	4,010·3	31·3
Non-tax revenues	275·0	283·8	8·8
Total ordinary revenues	4,254·0	4,294·1	40·1
Special receipts and credits	25·0	80·5	55·5
Total budgetary revenues	4,279·0	4,374·6	95·6

It is estimated that the revenue from personal income tax will be about 1 per cent less than the budget forecast. The short fall is due mainly to the fact that refunds of tax were larger than expected.

The budget forecast of corporation income tax revenue was based on the assumption that corporation profits in 1952 would equal those realized in 1951. However, on the basis of preliminary information, it would appear that 1952 profits did not reach the 1951 level. The adverse effect on corporation income tax revenue arising from the reduction of profits has been to some extent offset by the withdrawal of the Province of Ontario from the corporation tax field but the additional revenue arising from this development has not been sufficient

to entirely offset the shortfall caused by the reduction in corporation profits, and it is estimated that when the accounts for the year are closed receipts will have fallen short of expectations by about 3 per cent.

Revenue from succession duties will fall considerably short of the amount forecast. It is impossible to forecast revenue from this source with any high degree of accuracy.

Customs duty collections are expected to exceed the budget forecast by about $9 million or less than 3 per cent due mainly to the higher proportion of dutiable goods in total imports.

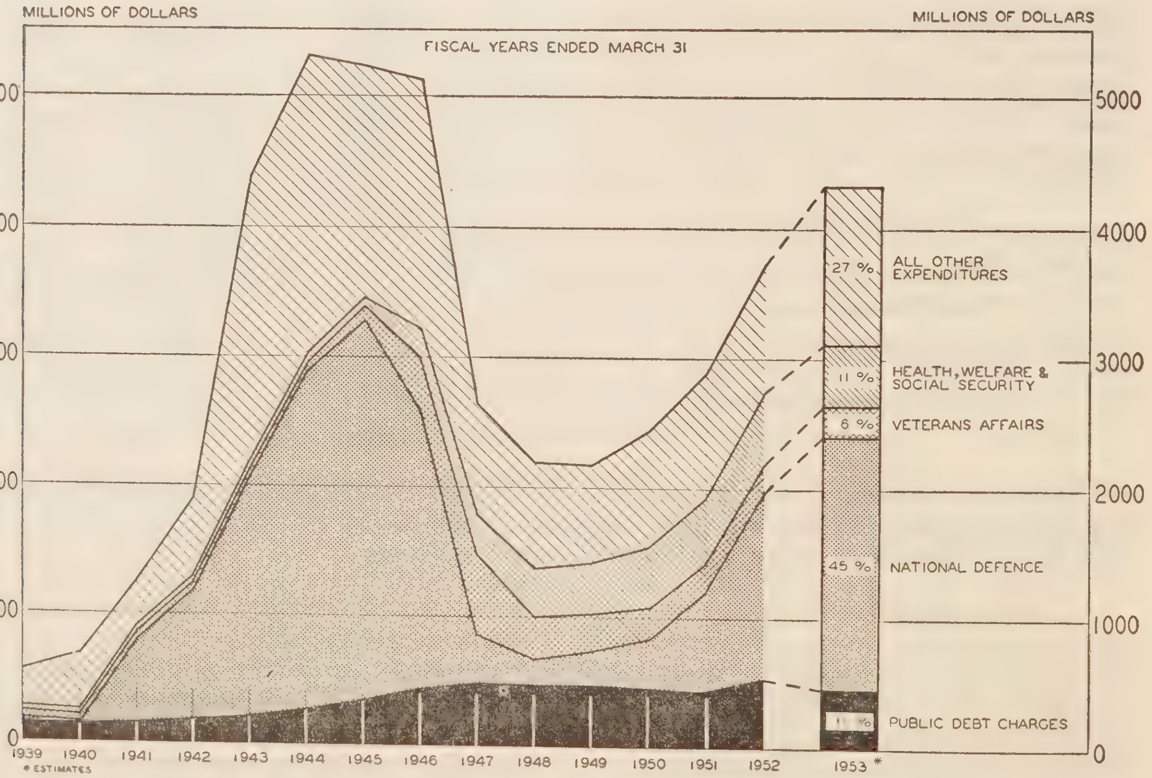
Revenue from excise duties in 1952-53 is expected to exceed the budget forecast by about 7 per cent mainly because the increase in the revenue from the excise duty on cigarettes has been greater than anticipated.

Revenue from the sales tax is expected to exceed the budget forecast by $29 million or 5 per cent, reflecting some acceleration in consumer spending, and a somewhat greater output of the country's industry than had been expected.

It is expected that revenue from excise taxes other than the sales tax will exceed the amount forecast by about $32 million because of the strong consumer demand for such durable and semi-durable goods as automobiles, furs, radios, and television sets. In addition, the increased consumption of cigarettes has come closer to offsetting the effects of the reduction in the rate of excise tax to a greater extent than had been expected.

The principal item among the miscellaneous taxes is the tax on the premium income of insurance companies. This tax is expected to yield about $6 million more than forecast because on signing the tax rental agreement with the Federal Government the Province of Ontario repealed a similar tax which had been deductible from the premium tax payable to the Federal Government.

BUDGETARY EXPENDITURES BY CLASSES



The excess of estimated non-tax revenue receipts over the budget forecast is due mainly to the amount of $6·8 million for premium, discount and exchange arising for the most part from a revaluation of the government's sterling and United States dollar assets and liabilities from exchange rates used in operations in the previous year. Post Office receipts and return on investments are each expected to be approximately $1 million lower than the forecast while estimated miscellaneous non-tax revenues, are some $4 million higher than forecast.

Special receipts and credits, always impossible to estimate with any high degree of accuracy, are expected to be $55 million higher than the arbitrary budget forecast of $25 million. The greater part of this excess arises because of the amount of $45 million transferred to revenue on account of collections of the Provincial 5% corporation income tax. At the time of the budget forecast it was expected that amounts held by the Federal Government from collections of this Provincial tax would be turned over to the Provinces but the new tax agreements signed during 1952-53 relieved the Federal Government from all further obligation to the Provinces in respect of these collections and these amounts, which under the former agreements would have served to reduce Federal expenditures for tax rental payments, will now come into the accounts as revenue.

B. Expenditures

The table which follows presents a comparative summary of estimated expenditures by departments and principal purposes for the fiscal year 1952-53, with actual expenditures for the preceding fiscal year.

STATEMENT OF EXPENDITURES BY DEPARTMENTS AND MAJOR CLASSIFICATIONS FOR THE YEARS ENDED MARCH 31, 1953 AND MARCH 31, 1952

(In millions of dollars)

—	Fiscal Year Ended March 31				Increase or Decrease (−)	
	1953 (Estimated)		1952			
	Amount	Per cent	Amount	Per cent	Amount	Per cent
National Defence	1,845·2	42·6	1,415·5	37·9	429·7	30·4
Defence Production	94·0	2·2	31·0	0·8	63·0	203·2
	1,939·2	*44·8*	*1,446·5*	*38·7*	*492·7*	*34·1*
Public Debt Charges—						
Interest on Public Debt	447·5	10·3	432·4	11·6	15·1	3·5
Additional amount required to place interest on public debt on accrual basis	....	....	87·5	2·3	−87·5	....
Other Debt Charges	13·4	0·4	11·1	0·3	2·3	20·7
	460·9	*10·7*	*531·0*	*14·2*	*—70·1*	*—13·2*
Provincial Subsidies and Tax Rental Payments (including Transitional Grant to Newfoundland)	338·0	7·8	127·2	3·4	210·8	165·7
Government contributions to Superannuation Account	38·8	0·9	110·9	3·0	−72·1	−65·0
Provision for reserve for possible losses on ultimate realization of active assets	75·0	1·7	75·0	2·0	....	....
Family Allowances	334·1	7·7	320·5	8·6	13·6	4·2
Old Age Pensions and Pensions to Blind Persons	22·1	0·5	83·2	2·2	−61·1	−73·4
Deficit—Old Age Security Fund	....	....	49·7	1·3	−49·7	....
Unemployment Insurance Act—Administration and Government Contribution	56·7	1·3	53·8	1·4	2·9	5·4
Agriculture	117·3	2·7	67·1	1·8	50·2	74·8
Citizenship and Immigration	23·7	0·6	23·2	0·6	0·5	2·2
External Affairs	39·1	0·9	37·6	1·0	1·5	4·0
Finance	30·8	0·7	29·5	0·8	1·3	4·4
Mines and Technical Surveys	29·7	0·7	27·8	0·8	1·9	6·8
National Health and Welfare	55·9	1·3	45·4	1·2	10·5	23·1
National Research Council and Atomic Energy Control Board	29·2	0·7	25·1	0·7	4·1	16·3
National Revenue	47·7	1·1	45·8	1·2	1·9	4·1
Post Office	106·2	2·5	98·0	2·6	8·2	8·4
Public Works	81·0	1·9	77·5	2·1	3·5	4·5
Resources and Development	35·6	0·8	31·8	0·9	3·8	11·9
Royal Canadian Mounted Police	32·1	0·7	27·3	0·7	4·8	17·6
Trade and Commerce	17·1	0·4	21·8	0·6	−4·7	−21·6
Transport	107·6	2·5	99·9	2·7	7·7	7·8
Veterans Affairs	242·5	5·7	216·0	5·8	26·5	12·3
Other Departments	66·5	1·5	61·3	1·7	5·2	8·5
GRAND TOTAL	4,326·8	100·0	3,732·9	100·0	593·9	15·9

National Defence and Defence Production

The magnitude of Canada's expenditures for defence is more completely seen when the expenditures of the Department of National Defence and the Department of Defence Production are considered together. Estimated expenditures of the Department of National Defence for the fiscal year 1952-53 are \$1,845·2 million as compared with \$1,415·5 million for 1951-52, an increase of \$429·7 million, while the Department of Defence Production expenditures are estimated at \$94 million, an increase of \$63 million over the total of \$31 million for the previous fiscal year. Consequently the combined expenditures of the two departments amounting to \$1,939·2 million for the year under review are \$492·7 million greater than the total of \$1,446·5 million for 1951-52. Thus, defence expenditures constitute approximately 45% of all government expenditures in 1952-53 again making defence, by a considerable margin, the largest class of government expenditures.

The following table shows a comparative summary of expenditures for the two departments for the last two fiscal years:

DEFENCE EXPENDITURES FOR THE FISCAL YEARS ENDED MARCH 31, 1953 AND MARCH 31, 1952

	Fiscal Year Ended March 31		Increase or Decrease (—)
	1953 (Estimated)	1952	
	(In millions of dollars)		
Department of National Defence—			
Army, Navy and Air Services	1,516·4	1,217·6	298·8
Defence Research and Development	41·7	35·4	6·3
Pensions—Defence Services Pension Act	5·2	5·1	0·1
Government contribution to Permanent Services Pension Account	30·0	30·7	—0·7
Mutual Aid to NATO Countries	234·7	126·4	108·3
Contribution towards military costs of NATO	16·9	....	16·9
General	0·3	0·3	....
	1,845·2	*1,415·5*	*429·7*
Department of Defence Production—			
Capital assistance	83·9	22·7	61·2
Administration and general	10·1	8·3	1·8
	94·0	*31·0*	*63·0*
Total National Defence and Defence Production	1,939·2	1,446·5	492·7

Expenditures for the army, navy and air services are estimated at $1,516·4 million for 1952-53 as compared with $1,217·6 million for 1951-52, an increase of $298·8 million. Expenditures for Defence Research and Development are expected to amount to $41·7 million for 1952-53, an increase of $6·3 million as compared with $35·4 million for the preceding year.

The Government's contribution to the Permanent Services Pension Account which is equivalent to one and two thirds times the contributions by permanent services personnel is estimated at $30 million for 1952-53, or $0·7 million less than the amount contributed in 1951-52. Approximately $26·9 million relates to current contributions and $3·1 million to contributions for arrears. In 1951-52 the corresponding amounts were $18·4 million and $12·3 million respectively.

Expenditures under the Mutual Aid programme which are authorized by section 3 of the Defence Appropriation Act, 1950 are expected to amount to $234·7 million in 1952-53. This represents an increase of $108·3 million over the 1951-52 total of $126·4 million. Under the provisions of this section of the Act, defence equipment and supplies are transferred from Canadian stocks to other parties to the North Atlantic Treaty. The value of the equipment and supplies transferred is charged to this appropriation on the basis of the estimated present value, and an equivalent amount is credited to a special Defence Equipment Replacement Account from which payment may be made when replacements are obtained. The estimated expenditure of $234·7 million in 1952–53 consists of approximately $58 million for equipment and supplies transferred from Canadian stocks to North Atlantic Treaty countries and $176·7 million for direct cash outlays for mutual aid by the Government of Canada, representing costs incurred in acquiring and supplying new military equipment to parties to the North Atlantic Treaty and in the training in Canada of air crews from allied countries. In 1951–52 stock transfers amounted to $74·9 million and direct aid to $51·5 million.

Contributions made by Canada towards the military costs of NATO are charged to the National Defence appropriations. These payments comprise Canada's share of the NATO military budgets and infrastructure costs as well as certain ex-infrastructure costs. The percentage share borne by the particular nations is as suggested by the North Atlantic Council subject to the agreement of the respective governments. The 1952–53 expenditures for this purpose are estimated at $16·9 million.

Expenditures for the Department of Defence Production are estimated at $94 million for 1952-53, an increase of $63 million over the total of $31 million for the previous year. Capital assistance to private contractors, Crown plants operated on a management fee basis, and Crown corporations undertaking contracts essential to the defence programme, is estimated at $83·9 million, an increase of $61·2 million over the total of $22·7 million for the previous fiscal year. Administration and general expenditures of the department are expected to amount to $10·1 million compared with $8·3 million in 1951-52.

In addition to the foregoing budgetary expenditures, the Department of Defence Production has made additional cash outlays out of the Defence Production Revolving Fund for the procurement of materials for use in the manufacture of defence equipment. For purposes of accounting and control, materials so acquired are treated as assets in the books of the government until they are billed to the Department of National Defence or sold to defence contractors for use in the manufacture of defence equipment. It is estimated that net cash payments of approximately $34 million will be made in 1952–53 for the acquisition of materials as compared with $82·4 million in 1951–52.

The replacement of equipment and supplies transferred to parties to the North Atlantic Treaty also involved cash outlays which were not reflected as budgetary expenditures in the year under review. It is estimated that an amount of $13 million will be disbursed in 1952-53 for this purpose compared with $49 million in 1951-52. The cost of such replacements is charged to the Defence Equipment Replacement Fund which is credited with the estimated value of the defence equipment and supplies when these are transferred from Canadian stocks to NATO countries.

Public Debt Charges

Public debt charges in 1952-53, as in 1951-52, will constitute the second largest single item of government expense. The total for the year, which is estimated at $460·9 million, represents 10·7 per cent of the aggregate expenditures in 1952-53 compared with a total of $531 million or 14·2 per cent in 1951-52. However, when making this comparison it should be noted that the total for 1951-52 includes a non-recurring charge of $87·5 million representing the additional amount required to place interest on public debt on an accrual basis. If this amount were excluded from the comparison, there would be a net increase of $15·1 million in this expenditure category.

Interest on funded debt payable in Canada, London and New York is expected to show a small decrease of $1·2 million from the previous year.

It is estimated that interest on deposit and trust accounts will increase by $0·2 million, but as insurance, pension and guaranty accounts continued to increase substantially during the year, interest on these accounts is expected to increase by $16·1 million. Of this increase, $13·3 million is for interest on the civil service superannuation account, $2·4 million on the government annuities account, and $1·6 million on the permanent services pension account; offset in part by decreases of $1 million for returned soldiers insurance and $0·3 million for veterans insurance accounts. Interest on these latter accounts was terminated as of April 1, 1952.

Other public debt charges are estimated at $13·4 million, as compared with $11·1 million in 1951–52. The increase of $2·3 million is due chiefly to the increase of $2 million in the annual charges for amortization of bond discounts and commissions.

The following table presents a summary of public debt charges for 1952-53 and the corresponding figures for the previous year:

INTEREST AND OTHER PUBLIC DEBT CHARGES FOR THE FISCAL YEARS ENDED MARCH 31, 1953 AND MARCH 31, 1952

	Fiscal Year Ended March 31		Increase or Decrease (—)
	1953 (Estimated)	1952	
	(In millions of dollars)		
Interest on Public Debt—			
Funded Debt and Treasury Bills—			
Payable in Canada	377·9	378·5	—0·6
Payable in London	1·6	1·7	—0·1
Payable in New York	10·0	10·5	—0·5
	389·5	*390·7*	*—1·2*
Deposit and Trust Accounts	3·0	2·8	0·2
Insurance, Pension and Guaranty Accounts	55·0	38·9	16·1
	447·5	*432·4*	*15·1*
Additional amount required to place interest on public debt on accrual basis	....	87·5	—87·5
Total Interest on Public Debt	447·5	519·9	—72·4
Annual amortization of bond discounts and commissions	11·7	9·7	2·0
Servicing of Public Debt	0·5	0·3	0·2
Cost of Issuing New Loans	1·2	1·1	0·1
Total Public Debt Charges	460·9	531·0	—70·1

Subsidies and Tax Rental Payments to Provinces

Payments to the provinces during 1952-53 for statutory subsidies, the transitional grant to Newfoundland, rentals under the 1947 and 1952 tax rental agreements and the transfer of certain public utility tax receipts are estimated at $338 million compared with $127·2 million in 1951-52. A comparative summary of the payments for the two years is given in the following table:

	Fiscal Year Ended March 31		Increase or Decrease (—)
	1953 (Estimated)	1952	
	(In millions of dollars)		
Statutory subsidies	20·1	20·1	....
Transitional grant to Newfoundland	5·6	6·5	—0·9
Rentals under 1947 Tax Rental Agreements	23·8	96·9	—73·1
Rentals under 1952 Tax Rental Agreements	284·8	....	284·8
Transfer of certain public utility tax receipts (sec. 7, Chap. 58, Statutes of Canada, 1947, and sec. 6, Chap. 49, Statutes of Canada, 1952)	3·7	3·7	....
	338·0	127·2	210·8

Statutory subsidy payments in 1952-53, as in 1951-52, were based on the 1951 census totals of population.

Payments under the tax rental agreements increased by $211·7 million as a result of the new agreements signed in 1952 and the entry of the Province of Ontario into a tax agreement. The new tax rental agreements provide for larger guaranteed minimum payments and the adjusted rental payments are based on the increase in the gross national product per capita and the provincial population in the year preceding the year of payment instead of the average of the three preceding years as under the 1947 agreements. In addition to larger rental payments the new agreements also provide that all the instalments in respect of a year shall be paid within that fiscal year. Thus payments made in 1952-53 include the four instalments payable under the 1952 agreements in respect of 1952-53 as well as the concluding payment made under the 1947 agreements. A further reason for the larger amount shown for tax rental payments in 1952-53 arises from the discontinuance of the provincial 5% corporation income taxes which were levied by the agreeing provinces during the period when the 1947 agreements were in force. These taxes were administered and collected by the federal government and the proceeds thereof, when finally assessed, were turned over to the provinces. The amount turned over to the provinces (less small amounts representing the collection of interest and penalties) was deducted from the stipulated tax rental payments and in 1951-52 this reduced the federal budgetary expenditure shown on this account by $25 million. In keeping with the terms of the new tax agreements, these provincial corporation income taxes were not levied on profits earned after December 31, 1951, and the amount now held by the federal government on account of collections of these taxes is to remain in its hands. Accordingly nothing was turned over to the provinces on account of these taxes in 1952-53 and there were no deductions from the tax rental payments made to the provinces on this account corresponding to the deductions made in previous years.

The amount of the transfer of public utility tax receipts to the provinces is expected to be the same as in the previous year. Section 7 of the Dominion-Provincial Tax Rental Agreements Act, 1947, authorized the payment to the provinces, whether participating in the agreements or not, of a portion of the income tax collected from corporations, whose main business was the distribution to, or the generation for distribution to, the public of electrical energy, gas or steam. Provision for similar payments was also made in the Tax Rental Agreements Act, 1952.

A summary of payments, by provinces during 1952–53 is given in the following table:

SUBSIDIES AND TAX RENTAL PAYMENTS TO PROVINCES
FOR THE FISCAL YEAR ENDED MARCH 31, 1953

—	Statutory Subsidies	Rentals under 1947 Tax Rental Agreements	Rentals under 1952 Tax Rental Argeements	Transitional Grant	Total
	(In millions of dollars)				
Newfoundland	1·6	2·1	10·7	5·6	20·0
Nova Scotia	2·1	2·2	18·1	—	22·4
Prince Edward Island	0·7	0·7	3·3	—	4·7
New Brunswick	1·7	2·5	15·0	—	19·2
Quebec	3·3	—	—	—	3·3
Ontario	3·6	—	123·3	—	126·9
Manitoba	1·7	2·9	23·1	—	27·7
Saskatchewan	2·0	2·5	23·6	—	28·1
Alberta	2·1	5·0	27·3	—	34·4
British Columbia	1·3	5·8	40·4	—	47·5
	20·1	23·8	284·8	5·6	334·3
Transfer of certain public utility tax receipts (Sec. 6, Chap. 49, Statutes of Canada 1952)					3·7
					338·0

Government Contributions to the Civil Service Superannuation Account

It is estimated that $38·8 million will be charged to expenditures in 1952-53 in connection with the Civil Service Superannuation Account as compared with $110·9 million in 1951-52.

The government's contribution of an amount equal to the estimated payments by individual contributors in the previous year on account of current and prior service is estimated at $13·8 million representing an increase of $0·9 million over the total of $12·9 million in the previous fiscal year. In March, 1952, the policy of showing the full estimated actuarial liability in respect of the operation of the Superannuation Account on the government balance sheet was adopted. The amount of $214 million, by which this actuarial liability exceeded the balance of the account at the end of the fiscal year, was set up in 1951-52 as a deferred charge to be written off to budgetary expenditures as special contributions were voted by Parliament in future years. In 1952-53 an amount of $25 million is included in the expenditures for the year as a contribution to be applied to the reduction of this amount.

Provision for reserve for possible losses on ultimate realization of active assets

An amount of $75 million will be transferred during the year to the general reserve for possible losses on the ultimate realization of active assets with a corresponding amount being shown as an expenditure in the government's accounts. This will bring the balance in the reserve at the end of the fiscal year to $545·9 million which is equivalent to approximately 7 per cent of the aggregate active assets. No charge or write-off to the reserve is expected during the fiscal year.

Family Allowances, Old Age Assistance and Pensions to Blind Persons

Payments for family allowances are estimated at $334·1 million for 1952-53 representing approximately 7·7 per cent of the total expenditures as compared with $320·5 million or approximately 8·6 per cent of the total in 1951–52. This estimated increase of $13·6 million is attributable chiefly to the natural increase in population in the eligible age groups.

Payments in respect of old age assistance and blind pensions (excluding pensions paid from the Old Age Security Fund) are estimated at $22·1 million for 1952-53 as compared with $83·2 million in 1951-52.

The present scheme of old age and blind pensions came into force on January 1, 1952, so that 1952-53 was the first full fiscal year of operations thereunder. Up to that time both of these types of pension were available under the Old Age Pensions Act to those who were 70 years and over, or 21 years and over if blind, who satisfied the means and residence tests. Thereafter under the Old Age Security Act all persons 70 years and over who satisfied the residence requirements could receive pensions of $40 a month from the federal government out of the Old Age Security Fund which was established in accordance with that Act. At the same time the Old Age Assistance Act and the Blind Persons Act came into force. Under the first of these new Acts the federal government reimbursed the provinces by paying 50 per cent of the lesser of $40 monthly or the amount

of assistance given by the provinces in the form of monthly pensions to eligible persons in need who were in the age group of 65 to 69. The same procedure was followed by the federal government in reimbursing provinces under the terms of the Blind Persons Act for pensions paid to eligible blind persons in need over the age of 21.

Payments in respect of old age assistance and blind pensions are estimated at $22·1 million for the full fiscal year 1952-53, whereas in the previous fiscal year only $6 million was expended on the same groups in the form of $3·7 million on blind pensions for the whole year and $2·3 million for old age assistance in the last quarter. During the first nine months of 1951-52, $77·2 million was spent on old age pensions under the old Act.

A comparative summary of the estimated payments for 1952-53 and actual outlays for 1951-52 is given in the following tables:

FAMILY ALLOWANCE PAYMENTS AND FEDERAL CONTRIBUTIONS TO OLD AGE PENSIONS, OLD AGE ASSISTANCE AND PENSIONS TO BLIND PERSONS FOR THE FISCAL YEARS ENDED MARCH 31, 1953, AND MARCH 31, 1952

—	Fiscal Year Ended March 31		Increase or Decrease(−)
	1953 (Estimated)	1952	
	(In millions of dollars)		
Family Allowances	334·1	320·5	13·6
Federal contributions to			
Old Age Pensions	—	77·2	−77·2
Old Age Assistance	19·1	2·3	16·8
Pensions to the blind	3·0	3·7	−0·7
	356·2	403·7	−47·5

The estimated distribution of these payments, by provinces, is shown in the following tables:

FAMILY ALLOWANCE PAYMENTS

—	Fiscal Year Ended March 31		Increase
	1953 (Estimated)	1952	
	(In millions of dollars)		
Newfoundland	10·9	10·6	0·3
Nova Scotia	16·3	15·9	0·4
Prince Edward Island	2·5	2·5	—
New Brunswick	14·2	13·9	0·3
Quebec	107·4	102·9	4·5
Ontario	98·2	93·2	5·0
Manitoba	17·3	16·7	0·6
Saskatchewan	19·7	19·4	0·3
Alberta	22·6	21·6	1·0
British Columbia	24·4	23·1	1·3
Northwest and Yukon Territories	0·6	0·6	—
	334·1	320·5	13·6

FEDERAL CONTRIBUTIONS TO OLD AGE ASSISTANCE AND PENSIONS TO THE BLIND FOR THE YEAR ENDED MARCH 31, 1953

—	Old Age Assistance Act	Pensions to the Blind
	(In millions of dollars)	
Newfoundland	0·8	0·1
Nova Scotia	0·9	0·3
Prince Edward Island	0·1	(1)
New Brunswick	1·1	0·3
Quebec	7·0	1·1
Ontario	4·6	0·6
Manitoba	1·0	0·2
Saskatchewan	1·0	0·1
Alberta	0·9	0·1
British Columbia	1·7	0·2
Northwest and Yukon Territories	(1)	(1)
	19·1	3·0

(1) Less than $50,000.

Unemployment Insurance Act Administration and Government's Contribution

Expenditures relating to the Unemployment Insurance Act (excluding the Government's payment as an employer) are estimated at $56·7 million for 1952-53, an increase of $2·9 million over the total of $53·8 million for 1951-52.

Unemployment insurance benefit payments are not charged directly to budgetary expenditures, but to the Unemployment Insurance Fund which is financed by contributions from employers and employees, by interest earned on investments, and by the Government's contribution of an amount equal to one-fifth of the combined employer-employee payments.

The Government's contribution to the Fund for 1952-53 is estimated at $31·2 million compared with $29·9 million in 1951-52. Administration costs are estimated at $25·4 million or $1·5 million more than the total of $23·9 million for the previous fiscal year.

Agriculture

Expenditures of the Department of Agriculture are estimated at $117·3 million for 1952-53 compared with $67·1 million for 1951-52. The estimated increase of $50·2 million is due chiefly to increases of $40·3 million in the net operating loss of the Agricultural Prices Support Account, $6 million in freight assistance on western feed grains and $2 million in outlays on rehabilitation and reclamation projects. A reduction of $1·7 million in assistance to apple growers is expected to be slightly more than offset by increased costs of the science, production, marketing and experimental farms services and by the premium payments on hog carcasses.

The following table presents a comparative summary of the expenditures of the department for the last two years:

—	Fiscal Year Ended March 31		Increase or Decrease(−)
	1953 (Estimated)	1952	
	(In millions of dollars)		
Freight assistance on western feed grains	21·0	15·0	6·0
Rehabilitation and reclamation projects	13·9	11·9	2·0
Premium on hog carcasses	6·2	5·4	0·8
Experimental Farms Service	8·5	7·7	0·8
Science Service	8·8	7·5	1·3
Production Service	9·0	8·8	0·2
Marketing Service	5·0	4·6	0·4
Assistance to apple growers— Nova Scotia and British Columbia	—	1·7	−1·7
Net operating loss— Agricultural Prices Support Board	42·0	1·7	40·3
Departmental administration and sundry	2·9	2·8	0·1
	117·3	67·1	50·2

Citizenship and Immigration

Expenditures of the Department of Citizenship and Immigration are estimated at $23·7 million for 1952-53, an increase of $0·5 million over the total of $23·2 million in 1951-52.

The following table presents a comparative summary of the expenditures for the last two fiscal years:

—	Fiscal Year Ended March 31		Increase or Decrease(−)
	1953 (Estimated)	1952	
	(In millions of dollars)		
Citizenship and Citizenship Registration	0·8	0·5	0·3
Immigration	7·4	8·2	−0·8
Indian Affairs	15·1	14·0	1·1
Administration and general	0·4	0·5	−0·1
	23·7	23·2	0·5

External Affairs

Expenditures of the Department of External Affairs are estimated at $39·1 million for 1952-53 or $1·5 million more than the total outlay of $37·6 million in the previous year. Assistance to other countries directly or through international organizations is estimated at $26·1 million for 1952-53 compared with $26·4 million in 1951-52, the principal item in the category being the amount of $25 million provided under the Colombo Plan for assistance to countries in South and South-East Asia. Outlay for membership in commonwealth and international organizations is estimated at $3·5 million and administrative and general expenditures of the department are expected to amount to $9·5 million. The corresponding expenditures in 1951-52 were $2·7 million and $8·5 million respectively.

Finance

The major items of expenditure for the Department of Finance have already been dealt with, in comparative form, under the headings "Public Debt Charges", "Subsidies and Tax Rental Payments to Provinces", "Provision for reserve for possible losses on the ultimate realization of active assets" and "Government's Contribution to the Civil Service Superannuation Account".

In addition, it is estimated that amounts totalling \$30·8 million will be spent in 1952-53 compared with \$29·5 million in 1951-52. The following table presents a comparative summary of these expenditures for the past two fiscal years:

—	Fiscal Year Ended March 31		Increase or Decrease(−)
	1953 (Estimated)	1952	
	(In millions of dollars)		
Administration expenses—Office of the Comptroller of The Treasury	13·4	12·6	0·8
Grants to Universities	7·2	7·0	0·2
Grants to Municipalities in lieu of taxes on federal property	2·7	2·1	0·6
Government's contribution as an employer to the Unemployment Insurance Fund	1·1	1·1	—
Federal government's share of claims—Rimouski and Cabano fires	0·2	1·2	−1·0
Implementation of guarantees—Ming Sung Industrial Co. Ltd	1·7	1·3	0·4
Departmental administration and general	4·5	4·2	0·3
	30·8	29·5	1·3

Mines and Technical Surveys

Expenditures of the Department of Mines and Technical Surveys are estimated at \$29·7 million for 1952-53 compared with \$27·8 million for 1951-52. The increase of \$1·9 million is due chiefly to increases of \$1·4 million in the expenses of the Dominion Coal Board and \$1·7 million in general and administration expenditures, offset by a decrease of \$1 million in expenditures under the Emergency Gold Mining Assistance programme.

National Health and Welfare

Family Allowances, Old Age Assistance and Pensions to the Blind constitute the major items of expenditure for the Department of National Health and Welfare and because of their importance in relation to the total government expenditures, they have been dealt with separately under their respective headings in preceding paragraphs. It is estimated that the department's expenditures for all other services will amount to \$55·9 million in 1952-53 as compared with \$45·4 million in 1951-52. General health grants to assist the provinces in hospital construction, the strengthening of general public health services and the control of diseases are estimated at \$31 million, an increase of \$6·7 million compared with \$24·3 million for 1951-52. Administration and general expenses, including Indians' and Eskimos' health services, are estimated at \$24·9 million, an increase of \$3·8 million over the total of \$21·1 million for 1951-52.

National Research Council and Atomic Energy Control Board

The National Research Council expenditures for 1952-53 are estimated at \$16·5 million indicating an increase of \$3·7 million over the total of \$12·8 million for 1951-52. Expenditures of the Atomic Energy Control Board are estimated at \$12·7 million for 1952-53 compared with \$12·3 million in the previous fiscal year.

National Revenue

Expenditures for the Department of National Revenue are estimated at $47·7 million for 1952-53 compared with $45·8 million for 1951-52. Of the total increase of $1·9 million, $1·7 million is for the Customs and Excise Divisions and $0·2 million for the Taxation Division.

The following table presents a comparative summary of the expenditures of the department for the last two fiscal years:

	Fiscal Year Ended March 31		Increase or Decrease (−)
	1953 (Estimated)	1952	
	(In millions of dollars)		
Customs and Excise Divisions	25·6	23·9	1·7
Taxation Division	22·0	21·8	0·2
Income Tax Appeal Board	0·1	0·1	....
	47·7	45·8	1·9

Post Office

Gross expenditures of the Post Office Department for 1952-53, including payments from revenue, are estimated at $124 million, an increase of $8·3 million over the total of $115·7 million for 1951-52. Remunerations of postmasters, staffs at revenue and semi-staff offices and commissions at sub-offices are paid from revenue. These payments, included in the total of $124 million, are estimated at $17·8 million for 1952-53 compared with similar payments amounting to $17·7 million in the previous fiscal year. Other disbursements which are charged to budgetary expenditures are estimated at $106·2 million for 1952-53 while the corresponding total for the previous fiscal year was $98 million.

The following table presents a comparative summary of the expenditures for 1952-53 and 1951-52:

	Fiscal Year Ended March 31		Increase or Decrease (−)
	1953 (Estimated)	1952	
	(In millions of dollars)		
Charged to Expenditures—			
Operations—including salaries and other expenses of staff post offices, district offices and railway mail services and supplies and equipment and other items for revenue post offices	61·0	56·3	4·7
Transportation—movement of mail by land, air and water	41·6	38·4	3·2
Financial services	2·4	2·3	0·1
Departmental administration and general	1·2	1·0	0·2
	106·2	*98·0*	*8·2*
Charged to Revenue—			
Operations—salaries of postmasters and staffs at revenue and semi-staff offices, commissions paid at sub-offices and other disbursements	17·8	17·7	0·1
	124·0	115·7	8·3

Public Works

Expenditures of the Department of Public Works for 1952-53 are estimated at $81 million compared with a total of $77·5 million for 1951-52. The following table presents a comparison of expenditures for the last two fiscal years:

—	Fiscal Year Ended March 31		Increase or Decrease(−)
	1953 (Estimated)	1952	
	(In millions of dollars)		
Architectural Branch—			
Public Buildings—Ottawa	12·1	10·1	2·0
Public Buildings—Other than Ottawa	17·8	15·6	2·2
Other	20·6	25·0	−4·4
Engineering Branch	28·9	25·2	3·7
Administration and general	1·6	1·6	—
	81·0	77·5	3·5

Increases totalling $4·2 million for the operation and maintenance of federal public buildings are more than offset by decreases of $4·4 million in other expenditures of the Architectural Branch. Expenditures of the Engineering Branch are estimated at $28·9 million for 1952-53, an increase of $3·7 million over the total of $25·2 million in 1951-52.

Resources and Development

Estimated expenditures of $35·6 million for the Department of Resources and Development for 1952-53 are $3·8 million greater than the total of $31·8 million for 1951-52. The following table presents a comparative summary of expenditures for the last two fiscal years:

—	Fiscal Year Ended March 31		Increase or Decrease(−)
	1953 (Estimated)	1952	
	(In millions of dollars)		
National Parks Branch	7·3	7·0	0·3
Engineering and Water Resources Branch	17·1	15·2	1·9
Northern Administration and Lands Branch	3·7	3·1	0·6
Forestry Branch	3·7	3·4	0·3
Canadian Government Travel Bureau	1·4	1·4	—
Housing	1·9	1·4	0·5
Administration and general	0·5	0·4	0·1
	35·6	31·8	3·8

Expenditures of the Engineering and Water Resources Branch are estimated at $17.1 million, of which $13 million represents the Government's contribution to the provinces in connection with the Trans-Canada Highway. In 1951-52 the contribution was $12·8 million.

Royal Canadian Mounted Police

Expenditures for 1952-53 of the Royal Canadian Mounted Police are estimated at $32·1 million compared with a total of $27·3 million for 1951-52. The following table presents a comparison of expenditures for the last two fiscal years:

—	Fiscal Year Ended March 31		Increase or Decrease(−)
	1953 (Estimated)	1952	
	(In millions of dollars)		
Land services	28·2	23·5	4·7
Marine services	1·0	0·9	0·1
Aviation services	0·4	0·2	0·2
Government contribution to the Royal Canadian Mounted Police Pension Account	0·5	0·9	−0·4
Administration and general	2·0	1·8	0·2
	32·1	27·3	4·8

Expenditures for land services are estimated at $28·2 million in 1952-53 compared with $23·5 million in the previous fiscal year. Increases of $0·1 million in marine services, $0·2 million in aviation services and $0·2 million in administration and general are largely offset by a decrease of $0·4 million in the Government's contribution to the Royal Canadian Mounted Police Pension Account.

Trade and Commerce

Expenditures of the Department of Trade and Commerce are estimated at $17·1 million for 1952-53, a decrease of $4·7 million from the total of $21·8 million for 1951-52. The following table presents a comparative summary of expenditures for the last two fiscal years:

—	Fiscal Year Ended March 31		Increase or Decrease(−)
	1953 (Estimated)	1952	
	(In millions of dollars)		
Trade Commissioner Service	2·3	2·1	0·2
Standards Division	1·4	1·3	0·1
Dominion Bureau of Statistics	5·8	10·6	−4·8
Canada Grain Act	4·8	3·8	1·0
Administration and General	2·8	4·0	−1·2
	17·1	21·8	−4·7

The decrease of $4·8 million in expenditures of the Dominion Bureau of Statistics is largely attributable to the absence in 1952-53 of expenditures comparable to those in 1951-52 for the census of population and agriculture and the 1951 census of distribution. Increases of $0·2 million in outlay for the Trade Commissioner Services, $0·1 million for the Standards Division and $1·0 million for expenditures under the Canada Grain Act are largely offset by a decrease of $1·2 million in administration and general expenditures which are estimated at $2·8 million. The decrease in this latter category is due mainly to a non-recurring expenditure in 1951-52 of $1·6 million representing a payment with respect to the Greater Winnipeg Dyking Board.

Transport

Expenditures of the Department of Transport are estimated at $107·6 million for 1952-53, an increase of $7·7 million over the corresponding total of $99·9 million for 1951-52, as shown in the following table:

—	Fiscal Year Ended March 31		Increase or Decrease (−)
	1953 (Estimated)	1952	
	(In millions of dollars)		
Air Services—			
Telecommunications Division	13·4	12·0	1·4
Meteorological Division	6·8	6·1	0·7
Civil Aviation	20·4	17·9	2·5
	40·6	*36·0*	*4·6*
Other Services—			
Canal Services	10·0	8·0	2·0
Marine Services	22·6	17·5	5·1
Railway Services (including Maritime Freight Rates Act and maintenance of trackage C.N.R. and C.P.R)	21·9	12·3	9·6
Canadian Maritime Commission	4·0	4·5	−0·5
Deficits and non-active advances— Government-owned enterprises	5·3	18·2	−12·9
Departmental administration and sundry	3·3	3·4	−0·1
	107·6	99·9	7·7

Estimated expenditures for air services reflect increases of $1·4 million for the telecommunications division, $0·7 million for the meteorological division and $2·5 million for civil aviation. Outlays in canal services are expected to total $10 million, an increase of $2 million over the previous year while marine services expenditures are estimated at $22·6 million, or $5·1 million more than in 1951-52. Railway services, at $21·9 million, are expected to be $9·6 million higher than in 1951-52. Of the total increase in the latter category, $3·8 million is due to payments under the Railway Act, Chap. 22, sec. 18, (Statutes 1951) to the Canadian National and Canadian Pacific Railways for the maintenance of trackage on the railways' transcontinental lines in certain areas of Northern Ontario. These increases which reflect increased activity in the airport, vessel and other construction programmes of the department, larger payments under the Maritime Freight Rates Act and general increases in the costs of normal continuing services, are offset in part by estimated reductions of $0·5 million in the expenditures of the Canadian Maritime Commission and $12·9 million in deficits and non-active advances to government-owned enterprises.

The following table presents a comparative summary of expenditures for deficits of, and non-active advances to, government-owned enterprises for 1952-53 and 1951-52.

NET INCOME DEFICITS AND NON-ACTIVE ADVANCES TO GOVERNMENT-OWNED ENTERPRISES FOR THE FISCAL YEARS ENDED MARCH 31, 1953 And MARCH 31, 1952

—	Fiscal Year Ended March 31		Increase or Decrease (−)
	1953 (Estimated)	1952	
	(In millions of dollars)		
Net Income Deficits—			
Canadian National Railways	....	15·0	−15·0
Canadian National (West Indies) Steamships, Ltd	....	0·5	−0·5
North Sydney—Port aux Basques Ferry and Terminals	1·8	....	1·8
Prince Edward Island Car Ferry and Terminals	1·5	1·4	0·1
National Harbours Board	0·1	0·1	....
	3·4	17·0	−13·6
Loans and Advances, Non-Active— National Harbours Board	1·9	1·2	0·7
	5·3	18·2	−12·9

The expected decrease of \$12·9 million in this category is due to the fact that the C.N.R. mainly because of the change in its capital structure which reduced interest charges, as authorized by the C.N.R. Capital Revision Act, 1952 did not incur a deficit in the calendar year 1952. In 1951 the Railway's deficit was \$15 million.

Veterans Affairs

Total expenditures for the Department of Veterans Affairs are estimated at \$242·5 million for 1952-53, an increase of \$26·5 million compared with the total of \$216 million for 1951-52. The table which follows presents a comparative summary of the expenditures for the two fiscal years:

—	Fiscal year ended March 31		Increase or Decrease (—)
	1953 (Estimated)	1952	
	(In millions of dollars)		
Pensions (World Wars I and II and Northwest Rebellion 1885)	127·1	103·7	23·5
Treatment Services	42·0	39·6	2·4
War Veteran's allowances and other benefits	30·9	29·6	1·3
War service gratuities and re-establishment credits	11·1	9·8	1·3
Post-discharge rehabilitation benefits	4·0	6·6	—2·6
Soldier Settlement and Veterans' Land Acts— Administration and general	5·7	5·9	—0·2
Provision for reserve for conditional benefits	8·0	7·6	0·4
Departmental, district and pensions administration and miscellaneous payments	13·7	13·2	0·5
	242·5	216·0	26·5

The increase of \$26·5 million in the department's expenditures for 1952-53 is due mainly to increased rates of pension which became payable in January 1952 as a result of amendments to the Pension Act. Consequently, the revision which was applicable for only three months of 1951-52 was in effect for all of 1952-53.

The provision for the reserves for conditional benefits under the Veterans' Land Act is estimated at \$8 million, an increase of \$0·4 million over the previous year. Conditional grants are made to veterans who enter into agreements with the director for sales of land and chattels provided they fulfil the terms of the agreements for a period of ten years. The amount charged to expenditures during 1952-53 under this heading covers one-tenth of the conditional benefits included in sales to veterans prior to April, 1953.

4. THE CASH POSITION

In the preceding sections of this Part the budgetary transactions of the Government for the fiscal year 1952-53 have been described in some detail and the estimated budgetary revenues and expenditures and surplus have been analyzed and compared with the actual figures for the preceding fiscal year. However, the budgetary accounts do not reflect the full scope of the Government's financial operations which extend beyond the collection of revenues or

the making of expenditures in the strict or narrow accounting or budgetary meaning of those terms. While a substantial part of all governmental activities is directly reflected in the budgetary accounts, large amounts of cash are received and disbursed in connection with extra-budgetary transactions and these receipts and disbursements must be taken into account when measuring the impact of the Government's financial operations upon the economy or analyzing the implications of Government spending and the methods by which that spending is financed.

Consequently in determining the over-all cash surplus or deficit for the fiscal year, the cash available from or required for non-budgetary as well as budgetary transactions must be taken into account.

The non-budgetary receipts and disbursements relate to transactions which result in increases or decreases in the Government's assets and liabilities. They do not appear in the Government's income account nor do they enter into the calculation of the annual budgetary surplus or deficit. On the assets side, they consist, for the most part, of advances to and repayments of loans by Crown corporations and other government agencies, foreign, provincial and municipal governments and other borrowers, investments in government securities and outlays for the acquisition of inventories of materials which will be used in the future, and for services rendered in one year but applicable to the accounts of subsequent years. On the liabilities side, the transactions relate primarily to receipts and payments in connection with the numerous deposit and trust, and annuity, insurance and pension funds held or administered by the Government.

The following summary shows how the non-budgetary transactions and the budgetary surplus affect the Government's funded debt and cash position in 1952-53. For purposes of comparison the corresponding figures for 1951-52 are also shown:

—	Fiscal Year Ended March 31 1953 (Estimated)	1952
	(In millions of dollars)	
NON-BUDGETARY DISBURSEMENTS (excluding unmatured funded debt transactions)—		
Loans, investments and working capital advances—		
Loans to and investments in Canadian National Railways	124·8	139·9
Loans to Central Mortgage and Housing Corporation	75·8	73·7
Temporary loans to Old Age Security Fund	100·0	—
Advances to Agricultural Prices Support Account	66·7	4·8
Advances to Exchange Fund	50·0	200·0
Advances to Defence Production Revolving Fund	34·4	82·4
Loans under Soldier Settlement and Veterans' Land Acts	7·1	9·1
Other loans, investments and working capital advances	8·0	18·0
	(466·8)	(527·9)
Other non-budgetary expenditures—		
Cost of loan flotations (portion to be amortized)	8·7	−5·7
Net decrease in provincial 5 per cent Corporation Income Tax Suspense Account	30·7	−14·4
Net decrease in outstanding cheques, interest due, accounts payable, etc	108·6	42·3
Net decrease in cash balances of Unemployment Insurance Fund	4·7	1·6
Net disbursements from sundry accounts	7·8	—
	(160·5)	(23·8)
TOTAL	627·3	551·7
NON-BUDGETARY RECEIPTS (excluding unmatured funded debt transactions)—		
Repayments of loans, investments and working capital advances—		
1942 Loan to United Kingdom	23·5	31·1
1946 Loan to United Kingdom	14·3	14·0
Loans to other foreign Governments	20·7	14·3
Loans to Provincial and Municipal Governments	3·8	4·2
Other Loans, investments and working capital advances	2·0	—
	(64·3)	(63·6)
Net Government Annuities Account receipts—		
Premium receipts less payments to beneficiaries	34·0	30·0
Interest paid by Government	27·1	24·7
Government contribution to maintain reserve	1·0	0·9
	(62·1)	(55·6)
Net insurance and pension account receipts—		
Employee contributions less payments to beneficiaries	12·1	13·5
Government contributions	44·2	66·6
Special Government provision for unamortized portion of Civil Service Superannuation Account liability	25·0	75·0
Interest paid by Government	27·9	14·2
	(109·2)	(169·3)
Net increase in Defence Equipment Replacement Account	66·1	25·9
Net increase in interest accrued on the public debt	7·0	87·5
Net increase in reserve for possible losses on the ultimate realization of active assets	75·0	75·0
Net increase in reserve for conditional benefits—		
Veterans' Land Act	8·1	7·6
Net receipts from sundry accounts	57·3	72·3
TOTAL	449·1	556·8
NET NON-BUDGETARY REQUIREMENTS	178·2	−5·1
DEDUCT:		
BUDGETARY SURPLUS	47·8	248·0
OVERALL CASH DEFICIT (−) REQUIRED TO BE FINANCED BY BORROWING	−130·4	
OVERALL CASH SURPLUS AVAILABLE FOR DEBT REDUCTION		253·1
NET INCREASE OR DECREASE (−) IN UNMATURED FUNDED DEBT OUTSTANDING IN THE HANDS OF THE PUBLIC	*141·7	−383·9
NET INCREASE OR DECREASE (−) IN CASH BALANCES	11·3	−130·8

* Adjusted for changes in Securities Investment Account and Sinking Fund.

As the table shows, non-budgetary disbursements are expected to amount to \$627·3 million in 1952-53 and non-budgetary receipts to \$449·1 million, resulting in a non-budgetary deficit of \$178·2 million compared with a surplus of \$5·1 million for 1951–52. Deducting from this sum the budgetary surplus of \$47·8 million, a net cash deficit of \$130·4 million remains to be financed by additional borrowing from the public. In 1951-52, a cash surplus of \$253·1 million was available for debt redemption.

Non-budgetary disbursements, which are estimated at \$627·3 million, include \$124·8 million to the Canadian National Railways, \$75·8 million to Central Mortgage and Housing Corporation for housing construction and housing loans, \$100 million in temporary loans to the Old Age Security Fund to cover the excess of pension payments over tax receipts, \$66·7 million for advances to the Agricultural Prices Support Account, \$50 million for advances to the Exchange Fund, \$34·4 million for advances to the Defence Production Revolving Fund for the acquisition and stockpiling of defence materials, \$15·1 million for miscellaneous loans, investments and working capital advances (including \$7·1 million for loans to veterans), \$8·7 million for discounts and commissions on loan flotations, \$30·7 million for the decrease in the balance of the Provincial 5 per cent corporation income tax suspense account, \$108·6 million for the decrease in outstanding cheques, interest due and accounts payable, \$4·7 million representing the decrease in the cash balances of the Unemployment Insurance Fund, and \$7·8 million in disbursements from sundry accounts.

Non-budgetary receipts, amounting to an estimated total of \$449·1 million, are made up of \$62·1 million from net Government Annuities Account receipts, \$109·2 million from insurance, pension and liability account receipts, \$64·3 million from repayments of sundry loans and investments (of which \$58·5 million was from the United Kingdom and other foreign governments), \$75 million representing the increase in the general reserve for possible losses on the ultimate realization of active assets, \$66·1 million the increase in the Defence Equipment Replacement Account, and \$72·4 million receipts from sundry accounts.

To finance the over-all cash deficit of \$130·4 million on budgetary and non-budgetary account, unmatured funded debt in the hands of the public will increase during 1952-53 by \$141·7 million, with the result that the Government's cash balances will be increased by \$11·3 million.

5. ESTIMATED BALANCE SHEET POSITION AT MARCH 31, 1953.

The following table presents in summary form the Government's estimated balance sheet position at March 31, 1953, with the comparable figures for March 31, 1952.

SUMMARY OF THE LIABILITIES AND ASSETS OF THE GOVERNMENT OF CANADA AS AT MARCH 31, 1953 and MARCH 31, 1952

(in millions of dollars)

—	Fiscal year ended March 31		Increase or Decrease (—)
	1953 (Estimated)	1952	
Liabilities			
Floating debt	739·1	847·7	−108·6
Deposit and trust accounts	185·1	131·8	53·3
Insurance, pension and guaranty accounts	1,557·9	1,416·3	141·6
Deferred credits	130·0	124·6	5·4
Sundry suspense accounts	345·5	304·5	41·0
Province debt accounts	11·9	11·9	....
Funded debt unmatured	14,837·6	14,695·4	142·2
	17,807·1	17,532·2	274·9
Active Assets			
Cash and other current assets	2,516·7	2,330·2	186·5
Loans to, and investments in, Crown agencies	1,687·9	1,472·7	215·2
Other loans and investments	2,528·2	2,591·3	−63·1
Sinking fund and other investments held for retirement of unmatured funded debt	27·1	25·9	1·2
Province debt accounts	2·3	2·3	....
Deferred charges	252·0	268·3	—16·3
Sundry suspense accounts	201·3	127·1	74·2
Total Active Assets	7,215·5	6,817·8	397·7
Less: Reserve for possible losses on ultimate realization of active assets	545·9	470·9	75·0
Net Active Assets	6,669·6	6,346·9	322·7
Net Debt (Excess of liabilities over net active assets)	11,137·5	11,185·3	—47·8

The aggregate liabilities of the Government as at March 31, 1953, are estimated at $17,807·1 million, an increase of $274·9 million over the corresponding total at the end of the previous year. Unmatured funded debt outstanding, including bonds, treasury bills and deposit certificates, accounts for $14,837·6 million or approximately 83 per cent of all liabilities. Of the total unmatured funded debt now outstanding, only $389·7 million or approximately 2·6 per cent is payable in foreign currencies—$337·6 million in United States dollars and $52·1 million in pounds sterling. A complete statement in tabular form of the Government's unmatured funded debt as at March 31, 1953 with details of interest rates, dates of maturity, annual interest charges and amounts of principal outstanding for each loan may be found at the end of this Part.

Floating debt, consisting of outstanding cheques and interest, matured funded debt and similar obligations payable on demand and accounts payable (cheques issued in April in payment of accounts relating to 1952-53), is estimated at $739·1 million. Insurance, pension and guaranty accounts are expected to total $1,557·9 million.

The other liability items are: sundry suspense accounts (where some uncertainty as to disposition exists), $345·5 million; deposit and trust accounts (consisting of moneys deposited with or held by the Receiver General for various purposes), $185·1 million; deferred credits (consisting of balances whose ultimate accounting treatment is known, but which are held until certain conditions are fulfilled), $130 million and province debt accounts (representing settlements arising out of agreements at the time of Confederation), $11·9 million.

Offsetting these liabilities and in a measure explaining their existence—as a substantial portion of the total debt is attributable to them—are the Government's active assets. These, for the most part, consist of assets that yield interest, profits or dividends, very liquid assets such as cash and departmental working capital funds, and certain prepaid expenditures and sundry suspense accounts.

It is expected that the aggregate active assets of the Government as at March 31, 1953 will amount to $7,215·5 million. The totals of the principal active asset categories as at that date are estimated at: cash and other current assets, $2,516·7 million; loans to, and investments in, Crown agencies, $1,687·9 million; other loans and investments (including loans to provincial, municipal, United Kingdom and other governments, subscriptions to international organizations and a number of miscellaneous advances to veterans and others), $2,528·2 million; deferred charges, $252 million; sinking fund and other investments held for retirement of unmatured funded debt, $27·1 million; province debt accounts, $2·3 million and sundry suspense accounts, $201·3 million.

The reserve for possible losses on ultimate realization of active assets which now stands on the books at $545·9 million is shown on the balance sheet as a deduction from the total of active assets, bringing the net active asset total to $6,669·6 million.

A. Changes in Principal Liability Classifications During 1952-53

The increase in the gross liabilities of the Government during the fiscal year is estimated at $274·9 million. The most important increase is in the outstanding unmatured funded debt of the Government which is expected to increase by $142·2 million from $14,695·4 million at March 31, 1952 to an estimated amount of $14,837·6 million at March 31, 1953. Other increases are $141·6 million in insurance, pension and guaranty accounts, $41 million in sundry suspense accounts, $53·3 million in deposit and trust accounts and $5·4 million in deferred credits. These increases, however, are offset by a decrease of $108·6 million in floating debt.

Floating Debt

It is estimated that floating debt will decrease by $108·6 million during the fiscal year due chiefly to decreases of $63·9 million in outstanding cheques and warrants and $32 million in accounts payable. The latter is a new account set up to record cheques issued in April in payment of accounts pertaining to the year ended March 31st, which formerly were shown as outstanding cheques. For purposes of comparison the corresponding liability as at March 31, 1952 is shown on the same basis.

in the Permanent Services Pension Account represents the amount by which the contributions by permanent services personnel for current service and arrears, the Government's contribution (which is made at the rate of one and two-thirds times the current contributions and contributions for arrears) and interest accretions exceed payments from this account.

Deferred Credits

Deferred credits are expected to show a net increase of \$5·4 million during the fiscal year; of this amount \$7 million is attributable to the increase in interest accrued on public debt.

Sundry Suspense Accounts

Sundry suspense accounts are expected to show an increase of \$41 million during the fiscal year. Of this total, \$66·1 million is due to transactions relating to the Defence Equipment Replacement Account reflecting an increase in the undisbursed balance of the credits to the account under section 3 of The Defence Appropriation Act, 1950 and subsequent votes of Parliament for the same purpose. Under the terms of The Defence Appropriation Act, 1950, the value of defence materials and supplies transferred to members of the North Atlantic Treaty Organization may be credited to the account and these credits may be used in subsequent years to purchase equipment or supplies for the naval, army or air services of the Canadian Forces. The net increase in the account during the year represents the amount by which the value of defence materials and supplies transferred exceeds cash disbursements for replacements.

Replacement of material, section 11, National Defence Act, account is expected to show an increase of \$13·7 million. This increase represents the amount realized from the sale of material that has not been declared surplus to requirements but has been authorized by Governor in Council to be sold to other countries less the amount which has been paid out of the account for the procurement of replacement material.

The interim payment of \$6·3 million from the Canadian Wheat Board on account of surplus which had been held in suspense and transferred to revenue in the fiscal year 1952-53 and the transfer of the amount of \$2 million in the German Reparations Suspense Account to the War Claims Fund, account for the principal decreases in the sundry suspense accounts.

Also recorded under this heading is the amount held by the Government in respect of collections of the 5 per cent corporation income tax levied by the provinces that were party to a tax agreement with the Federal Government in the period 1947 to 1951. Under terms of collection agreements with the provinces, this tax was collected by the Federal Government and the proceeds thereof, when returns were finally assessed, were turned over to the provinces. The amount turned over to the provinces, (less any small amounts which represented collection of interest and penalties) was deducted from the stipulated tax rental payments and thus reduced the Federal expenditures shown on this account.

The changes in floating debt during 1952-53 are shown in the following table:

FLOATING DEBT AS AT MARCH 31, 1953 AND MARCH 31, 1952
(In millions of dollars)

—	Balance at March 31		Inrease or Decrease (—)
	1953 (Estimated)	1952	
Matured funded debt outstanding	18·1	24·7	—6·6
Notes and other obligations payable on demand	284·8	289·6	—4·8
Interest due and outstanding	55·2	56·5	—1·3
Outstanding cheques and warrants	145·0	208·9	—63·9
Accounts payable (year-end adjustment account)	221·0	253·0	—32·0
Post Office (net liability for money orders, etc.)	15·0	15·0	....
	739·1	847·7	—108·6

Deposit and Trust Accounts

It is estimated that there will be an increase of $53·3 million during the fiscal year in deposit and trust accounts. Contractors' holdback accounts are expected to total $24·1 million and the balance of the Colombo Plan Fund which it is proposed to establish and to which will be credited the undisbursed portion of the amount voted by Parliament to provide for assistance to countries in South and South-east Asia is estimated at $17 million. It is also expected that there will be increases of $5·4 million in contractors' security cash deposits and $5·9 million in the Prairie Farm Emergency Fund.

Insurance, Pension and Guaranty Accounts

Insurance, pension and guaranty accounts show an estimated increase of $141·6 million during the fiscal year 1952-53. The following table shows the changes in the various accounts in this category.

INSURANCE, PENSION AND GUARANTY ACCOUNTS AS AT MARCH 31, 1953 AND MARCH 31, 1952
(In millions of dollars)

—	Balance at March 31		Increase or Decrease (—)
	1953 (Estimated)	1952	
Government Annuities	738·0	675·9	62·1
Permanent Services Pension Account	154·3	111·0	43·3
Civil Service Superannuation Account	555·0	520·3	34·7
Other	110·6	109·1	1·5
	1,557·9	1,416·3	141·6

The Government Annuities Account is expected to show an increase of $62·1 million during the year 1952-53. The increase of $34·7 million in the Civil Service Superannuation Account reflects the amount by which the sum of employees' current and prior service contributions, the Government's contribution of an amount equal to the estimated current and prior service payments of individuals in the previous fiscal year, and interest accretions are expected to exceed payments from the account. An estimated increase of $43·3 million

This arrangement was not continued under the new tax agreements signed for a further five years in 1952 and the provincial corporation income tax was not levied on profits earned after Dec. 31, 1951. However, substantial amounts have been collected throughout 1952-53 in respect of tax liability for 1951 and previous years and the account now contains approximately $92 million. The new tax agreements with the Provinces, signed in 1952, contain a provision releasing the Federal Government from all further obligations to the Provinces in respect of amounts it has collected of the provincial corporation income tax. Accordingly nothing has been turned over to the Provinces in 1952-53 from this account. Prior to 1952-53 amounts in this account, when turned over to the Provinces, served to reduce Federal Government expenditures but under the new arrangement the amount in the account will be taken into Federal revenue as assessments for the taxation years 1947 to 1951 are completed and as amounts still owing under the provincial 5 per cent corporation income tax are collected and necessary refunds made. In 1952-53 it is expected that $45 million or approximately one-half of the balance remaining in the account will be transferred to revenue as "Special Receipts and Credits."

Province Debt Accounts

It is expected that there will be no increase or decrease during the fiscal year in the Government's liability in respect of the province debt accounts. These amounts have remained unchanged for many years.

Funded Debt Unmatured

It is estimated that unmatured funded debt will amount to $14,837·6 million at the close of the fiscal year, an increase of $142·2 million over the corresponding total at March 31, 1952. An increase of $149 million in debt payable in Canada is offset by decreases in the Canadian dollar equivalent of debt payable in London and in New York of $1 million and $5·8 million respectively. The details of the various loan redemptions, flotations and adjustments resulting in this net increase are described more fully in the section on "The Public Debt".

B. Changes in Principal Active Asset Classifications During 1952-53

It is estimated that there will be an increase of $397·7 million in the total of active assets during the fiscal year under review. However, with the provision of an additional $75 million for the reserve for possible losses on ultimate realization of active assets, active assets are expected to show a net increase of $322·7 million at the close of the fiscal year 1952-53. It is expected that estimated increases of $186·5 million in cash and other current assets, $215·2 million in loans to, and investments in, Crown agencies, $1·2 million in sinking fund and other investments held for retirement of unmatured funded debt and $74·2 million in sundry suspense accounts will be offset by decreases of $63·1 million in other loans and investments and $16·3 million in deferred charges.

Cash and Other Current Assets

An increase of $186·5 million in cash and other current assets is estimated for the fiscal year as shown in the following table which summarizes changes expected in the various accounts in this category:

CASH AND OTHER CURRENT ASSETS AS AT MARCH 31, 1953 AND MARCH 31, 1952

(In millions of dollars)

—	Balance at March 31		Increase or Decrease (—)
	1953 (Estimated)	1952	
Cash in current and special deposits including blocked currency	174·6	163·3	11·3
Year-end adjustment accounts—			
Deposits in transit	83·5	83·0	0·5
Departmental banking accounts	11·3	8·1	3·2
Accountable advances to individuals	2·4	0·3	2·1
Advances to contractors	10·5	7·8	2·7
Accounts receivable	66·5	67·8	−1·3
Other liquid assets—			
Exchange Fund Account—			
Advances represented by cash and securities	1,775·8	1,799·4	−23·6
Securities investment account	58·2	58·9	−0·7
Working Capital Advances—			
Departmental—			
Defence production revolving fund	116·8	82·4	34·4
Temporary loan to Old Age Security Fund	100·0		100·0
Other	90·1	35·3	54·8
Crown corporations	27·0	23·9	3·1
	2,516·7	2,330·2	186·5

The principal changes as shown in the table were increases of \$11·3 million in cash in current and special deposits, \$100 million in temporary loans to the Old Age Security Fund, \$34·4 million in the Defence Production Revolving Fund, and \$54·8 million in other departmental working capital advances. These are offset in part by a decrease of \$23·6 million in the Exchange Fund Account.

The decrease in advances to the Exchange Fund reflects additional cash advances of \$50 million required during the year to finance the purchase of gold and foreign exchange offset by \$73·6 million equivalent to the increase in the Fund's revaluation deficit during 1952 which is deducted from the total advances and carried to sundry suspense accounts. The Fund's revaluation deficit at December 31, 1952, was \$199·2 million compared with \$125·6 million at the end of the preceding year.

Working capital advances are estimated at \$333·9 million an increase of \$192·3 million over the previous year.

An amount of \$100 million is included under this heading for temporary advances to the Old Age Security Fund. Under authority of the Old Age Security Act temporary loans may be made and credited to the fund sufficient to make up the difference between the amount of pensions paid under the act and the amount of Old Age Security tax collected and credited to the fund. As pensions payments from the Fund are estimated at \$324 million and tax receipts credited to the Fund at only \$224 million, the deficit for 1952-53 is expected to amount to \$100 million which will be covered by temporary advances to the Fund.

Working capital advances to the Department of Agriculture are expected to show an increase of $56·9 million for the year. This increase is due principally to the expansion of the Agricultural Prices Support program resulting from the effect of the foot and mouth disease in Canada and the subsequent embargo on the export of live stock and live stock products to the United States. The estimated loss of $42 million on operations for 1952-53 is included as a charge in the year's expenditures.

Loans to, and Investments in, Crown Agencies

It is estimated that loans to, and investments in, Crown agencies will increase $215·2 million during the year. The estimated changes during the fiscal year in this category are shown in the following table:

—	Balance at March 31		Increase or Decrease (—)
	1953 (Estimated)	1952	
Bank of Canada Capital Stock	5·9	5·9	....
Central Mortgage and Housing Corporation—			
Capital Advances	25·0	25·0	....
Loans	410·8	335·0	75·8
Canadian Farm Loan Board	28·9	27·3	1·6
Railway and Steamship Companies	1,028·7	903·9	124·8
National Harbours Board	106·9	106·9	....
Polymer Corporation Limited	36·0	38·0	—2·0
Other Crown Agencies	45·7	30·7	15·0
	1,687·9	1,472·7	215·2

Loans to Central Mortgage and Housing Corporation for the year are estimated at $80·5 million, of which $66 million is for lending purposes, $7 million for construction and $7·5 million for Federal-Provincial housing projects. Repayments estimated at $4·7 million will bring the net increase in advances for the year to $75·8 million.

It is estimated that in the fiscal year ending March 31, 1953, the Government will have made net advances to the Canadian National Railway Company of $101 million for capital purposes, retirement of funded debt in the hands of the public and to cover the deficit arising in the first three months of 1953. In addition, to assist the company to finance additional capital expenditures, the Government will have purchased an estimated amount of $23·8 million of the Company's 4 per cent Preferred Stock. This stock is issued under the authority of the Canadian National Railways Capital Revision Act, 1952, in an amount equal to three per cent of the gross revenues of the Company.

No change is expected in the advances to the National Harbours Board, the amount outstanding remaining at $106·9 million. These advances represent outstanding advances in connection with harbour developments at Montreal and Vancouver and are the only advances to the National Harbours Board which are classified as active assets in the Government's accounts.

The Government's investment in Polymer Corporation Limited, a crown corporation engaged in the manufacture of synthetic rubber, is expected to be reduced by $2 million during the year, representing a further payment of $1 million on the debenture issue in addition to the $1 million repayment of the serial debenture due March 31, 1953.

The advances to the Canadian Farm Loan Board are estimated at $28·9 million, an increase of $1·6 million for the fiscal year.

Loans to, and investments in other Crown agencies are expected to total \$45·7 million at the close of the year, an increase of \$15 million over the corresponding total at the end of the previous year. The total of \$45·7 million includes loans to, or investments in, Canadian Broadcasting Corporation, \$11·2 million; North-west Territories Power Commission, \$8·4 million; Eldorado Mining and Refining (1944) Limited, \$8·2 million; Export Credits Insurance Corporation, \$5 million; and Atomic Energy of Canada Limited \$9·2 million.

Other Loans and Investments

This group of assets includes loans to the United Kingdom and various foreign governments, the Government's subscriptions to the capital of the International Monetary Fund and the International Bank for Reconstruction and Development, loans to provincial and municipal governments and a number of miscellaneous loans and investments, the chief of which are the loans to veterans under the Soldier Settlement and Veterans' Land Acts. The following table shows the estimated changes in this category during the fiscal year.

OTHER LOANS AND INVESTMENTS AS AT MARCH 31, 1953 AND MARCH 31, 1952
(In millions of dollars)

—	Balance at March 31		Increase or Decrease (—)
	1953 (Estimated)	1952	
Loans to United Kingdom and other Governments	1,867·2	1,925·7	−58·5
Subscription to Capital of International Monetary Fund	322·5	322·5	
Subscription to Capital of International Bank for Reconstruction and Development	70·9	70·9	
Loans to Provincial and Municipal Governments	87·2	91·0	−3·8
Net advances—Soldier Settlement and Veterans' Land Acts	162·9	163·9	−1·0
Miscellaneous Loans and Investments	17·5	17·3	0·2
	2,528·2	2,591·3	−63·1

The loans to the United Kingdom and other governments consist of loans to the Government of the United Kingdom under the authority of The War Appropriation (United Kingdom Financing) Act, 1942, and the United Kingdom Financial Agreement Act, 1946, and to other countries under Part II of the Export Credits Insurance Act and miscellaneous foreign loans. The changes during the fiscal year in each of these categories are shown in the following table:

LOANS TO UNITED KINGDOM AND OTHER GOVERNMENTS
(In millions of dollars)

—	Balance at March 31		Increase or Decrease (—)
	1953 (Estimated)	1952	
Loans to United Kingdom—			
The War Appropriation (United Kingdom Financing) Act, 1942	196·9	220·4	−23·5
The United Kingdom Financial Agreement Act, 1946	1,156·7	1,171·0	−14·3
	1,353·6	*1,391·4*	*−37·8*
Loans to Foreign Governments—			
The Export Credits Insurance Act, Part II	461·9	480·9	−19·0
Miscellaneous Advances	51·7	53·4	−1·7
	513·6	*534·3*	*−20·7*
	1,867·2	1,925·7	−58·5

It is estimated that during 1952–53 the Government of the United Kingdom will have repaid $23·5 million of the $700 million interest-free loan granted under the provisions of The War Appropriation (United Kingdom Financing) Act, 1942, reducing the balance outstanding of this loan to $196·9 million at March 31, 1953. In addition the Government of the United Kingdom will have repaid $14·3 million during the year on account of the $1,185 million loan made under the United Kingdom Financial Agreement Act, 1946, reducing the balance outstanding at March 31, 1953, to $1,156·7 million.

It is estimated that the total of outstanding advances made under the authority of Part II of the Export Credits Insurance Act will be $461·9 million at March 31, 1953, a decrease of $19 million from the balance at the close of the previous year. Advances under this act represent loans made to certain foreign countries to assist them in purchasing goods and services in Canada. A classification of these advances by recipient governments, showing the estimated repayments during the year and the balances outstanding at the year end, is given in the following table:

ADVANCES TO FOREIGN GOVERNMENTS UNDER PART II OF THE EXPORT CREDITS INSURANCE ACT
(In millions of dollars)

—	Total Outstanding at March 31, 1952	Repayments during 1952-53	Total Outstanding at March 31, 1953
Belgium	57·7	2·3	55·4
China	49·4	....	49·4
Czechoslovakia	10·0	....	10·0
France	217·6	8·4	209·2
Indonesia	12·4	3·1	9·3
Netherlands	112·8	2·6	110·2
Norway	21·0	2·6	18·4
	480·9	19·0	461·9

Sinking Fund and Other Investments held for the Retirement of Unmatured Funded Debt

It is estimated there will be an increase of $1·2 million in these assets which are held for the retirement of the 3 per cent Newfoundland 1943–63 guaranteed stock, the balance at March 31, 1953, being $27·1 million.

Deferred Charges

It is estimated that Deferred Charges will decrease $16·3 million during the year. It is expected that the balance of $214 million which was set up as a deferred charge and credited to the Civil Service Superannuation Account in 1951–52 will be reduced by $25 million and that an equivalent amount will be written off to expenditure during the year. There will, however, be a net increase of $8·7 million in unamortized discounts and commissions on loans, due to the payment of $20·4 million for discounts and commissions on new loans offset by the annual amortization charges of $11·7 million applicable to and included in the expenditures for 1952–53.

Sundry Suspense Accounts

The estimated increase of $74·2 million in this asset classification is due mainly to the change in the deficit arising from exchange revaluations of the assets and liabilities in the Exchange Fund Account as at December 31, 1952, which amounted to $199·2 million at that date as compared with $125·6 million at the end of the previous year.

Reserve for Possible Losses on Ultimate Realization of Active Assets

The sum of $75 million will be added to the reserve during 1952–53 and a corresponding amount will be shown as an expenditure in the Government's accounts. No charge or write-off to the reserve is expected during the year, the balance at March 31, 1953, being estimated at $545·9 million.

C. Decrease in Net Debt

The estimated surplus of $47·8 million for the fiscal year will result in a corresponding decrease in the net debt of Canada, reducing it from $11,185·3 million at March 31, 1952, to $11,137·5 million at March 31, 1953.

6. THE PUBLIC DEBT

Gross and Net Debt

The unmatured funded debt of Canada increased by $142·2 million during the fiscal year. However, due to increases of $132·7 million in other liabilities—principally in insurance, pension and guaranty, deposit and trust, and sundry suspense accounts—the gross public debt of Canada increased by $274·9 million from $17,532·2 at March 31, 1952, to an estimated total of $17,807·1 million at March 31, 1953. During the same period, the net active assets increased by $322·7 million, with the result that the net debt—which is the gross debt less the active or revenue producing assets—was reduced by $47·8 million.

The following table shows the amount of net debt as at March 31, 1939, to March 31, 1953, inclusive, with the amount of annual increase or decrease.

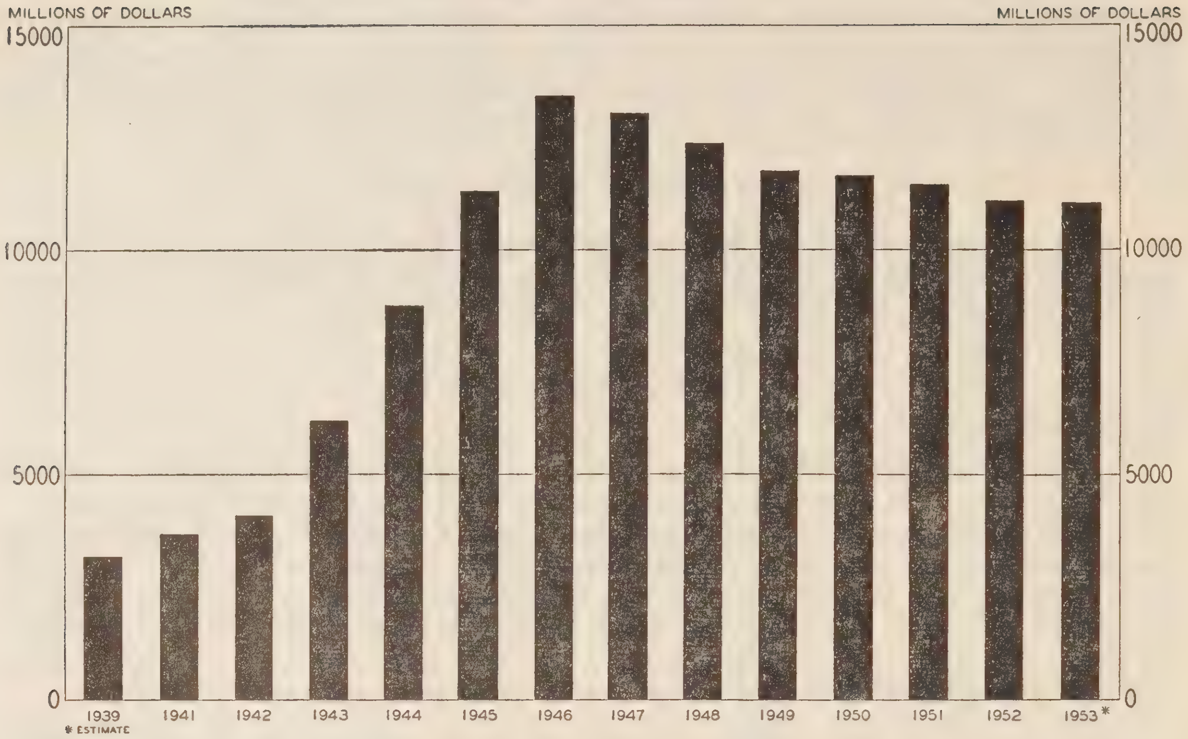
NET DEBT
(In millions of dollars)

Fiscal Year Ended March 31	Balance at end of year	Increase or Decrease (—) during fiscal year
1939	3,152·6	....
1940	3,271·3	118·7
1941	3,648·7	377·4
1942	4,045·2	396·5
1943	6,182·8	2,137·6
1944	8,740·1	2,557·2
1945	11,298·4	2,558·3
1946	13,421·4	2,123·0
1947	13,047·8	—373·6
1948	12,371·6	—676·1
1949	11,776·1	—595·5
1950	11,644·6	—131·5
1951	11,433·3	—211·3
1952	11,185·3	—248·0
1953 (Estimated)	11,137·5	— 47·8

Unmatured Funded Debt

The unmatured funded debt of Canada is expected to total $14,837·6 million at March 31, 1953. This is $142·2 million more than at the end of the previous year, but $1,969·6 million less than at March 31, 1946. Notwithstanding this substantial decrease it is still $11,451·9 million more than the total of $3,385·7 million at March 31, 1939, the end of the last pre-war year. Interest charges on the funded debt amounted to $389·5 million in 1952-53, an increase of approximately 230 per cent over the total of $118·1 million in 1938-39. However, as the gross national product rose from $5,233 million in 1938 to $22,984 million in 1952, an increase of approximately 340 per cent, the relative burden

NET DEBT AS AT MARCH 31



of the funded debt, measured in terms of interest charges as a percentage of the gross national product, actually decreased from 2·3 per cent in 1938-39 to 1·7 per cent in 1952-53.

Summary of Security Issues and Redemptions in the Year

During the fiscal year it is estimated that the Government will have issued securities payable in Canadian dollars in the principal amount of $3,334 million (excluding the refunding of treasury bills which mature fortnightly) and refunded maturing issues in the amount of $3,186 million. The following is a summary of these transactions:

	In millions of dollars
New Issues:	
Canada Savings Bonds Series VII (Net)	334
Twenty-five year loan	100
Increase in Treasury Bills	150
Deposit Certificates	100
By refunding or conversion into new issues—Deposit Certificates	400
Other	2,250
	3,334
Less redemptions	3,186
Net increase	148

The increase of $150 million in Treasury Bills outstanding which is shown in the table, together with a further increase of $50 million which is scheduled to take place in April 1953, will provide funds to enable the Government to retire the $200 million of Deposit Certificates presently outstanding.

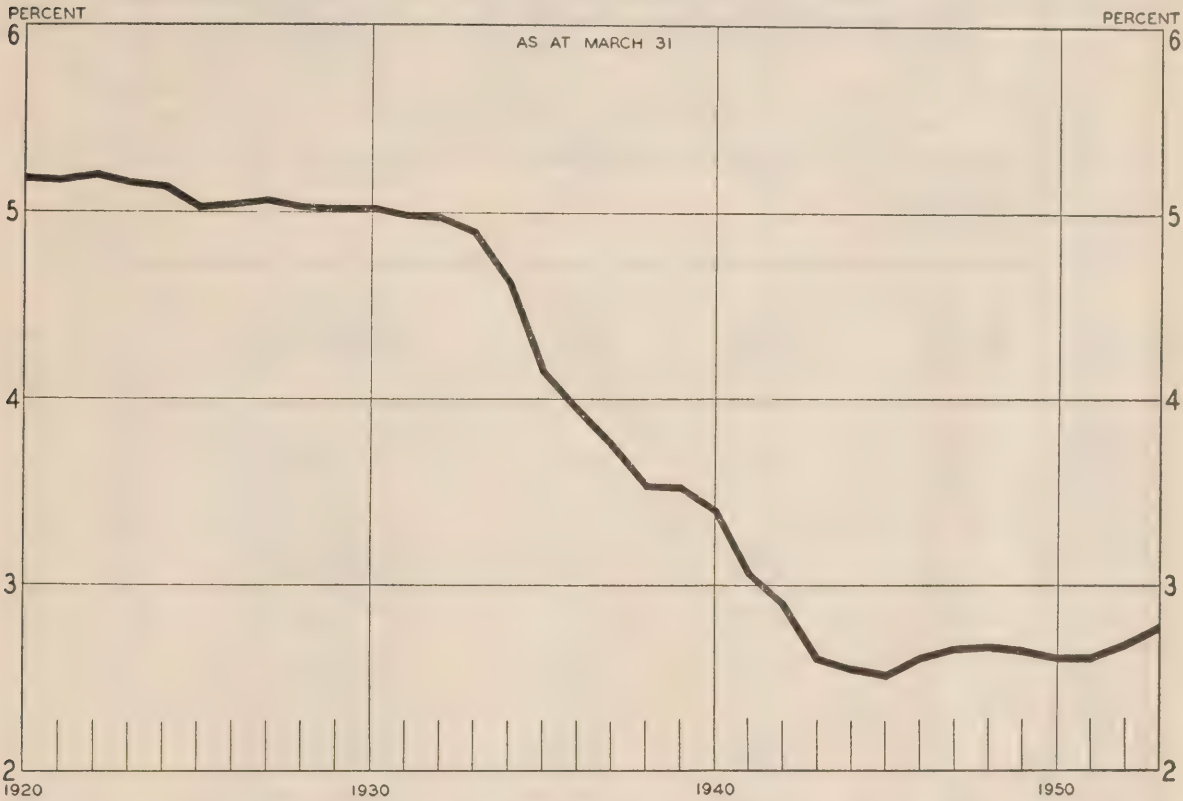
The Canadian dollar value of the Government's external funded debt is expected to decrease by $6·8 million during the fiscal year. Of this amount $5·8 million is in respect of indebtedness payable in United States dollars and

$1 million in respect of sterling debt. These reductions result from the revaluation of liabilities payable in those currencies consequent upon the change in the exchange rates as compared with the previous fiscal year end.

As unmatured funded debt payable in Canada increased by $149 million ($148 million as shown in the preceding table and $1 million accrued interest added to War Savings Certificates outstanding), and as debt payable in sterling and United States dollars decreased by $6·8 million, the net increase in the funded debt was $142·2 million.

The average coupon rate of the Government's outstanding funded debt at the close of the fiscal year is estimated at 2·76 per cent compared with 2·67 per cent at the close of the previous fiscal year.

AVERAGE INTEREST RATE ON FUNDED DEBT



More complete details of redemptions and new issues of securities during the fiscal year are set out in the following table:

REDEMPTION OF FUNDED DEBT DURING FISCAL YEAR ENDED MARCH 31, 1953

Maturity Date	Interest Rate	Where Payable	Amount
	%		$
May 1, 1952	1⅛	Canada	200,000,000
August 27, Deposit Certificates	1⅜	Canada	200,000,000
September 1	1⅜	Canada	550,000,000
November 1	1½	Canada	300,000,000
November 1	1¾	Canada	300,000,000
November 1	1⅜	Canada	200,000,000
November 15, Deposit Certificates	1½	Canada	100,000,000
February 25, 1953, Deposit Certificates	1¾	Canada	200,000,000
March 1	1¾	Canada	550,000,000
March 1	1½	Canada	325,000,000
War Savings Certificates	3	Canada	27,888,419
Canada Savings Bonds, Series I, II, III, IV, V and VI	2¾-3½	Canada	233,086,350
Total Redemption of Debt			3,185,974,769

NEW SECURITY ISSUES DURING FISCAL YEAR ENDED MARCH 31, 1953

—	Issue Date	Maturity Date	Interest Rate	Price to Govern- ment	Yield at Price to Govern- ment	Total Amount Issued	Renewals or Reconversion Included in Amount Issued	Amount Issued for Cash
			%		%	$	$	$
PAYABLE IN CANADA								
Issued to Chartered Banks—								
Deposit Certificates	Aug. 27, 1952	Feb. 25, 1953	$1\frac{3}{4}$	100·00	1·75	200,000,000	200,000,000	....
Deposit Certificates	Feb. 25, 1953	May 15, 1953	$1\frac{3}{4}$	100·00	1·75	200,000,000	200,000,000	....
Deposit Certificates	July 23, 1952	Nov. 15, 1952	$1\frac{1}{2}$	100·00	1·50	100,000,000	....	100,000,000
						500,000,000	400,000,000	100,000,000
Issued to Bank of Canada—								
Six Months Treasury Notes	May 1, 1952	Nov. 1, 1952	$1\frac{3}{8}$	100·00	1·375	200,000,000	200,000,000	....
Six Months Treasury Notes	Sept. 1, 1952	Mar. 1, 1953	$1\frac{3}{4}$	100·00	1·750	550,000,000	550,000,000	....
Six Months Treasury Notes	Nov. 1, 1952	May 1, 1953	$1\frac{1}{2}$	100·00	1·50	200,000,000	200,000,000	....
Six Months Treasury Notes	Mar. 1, 1953	Sept. 1, 1953	....	....	....	550,000,000	550,000,000	....
						1,500,000,000	1,500,000,000	....
Issued to General Public—								
Loan One Year Four Months	Mar. 1, 1953	July 1, 1954	2	98·60	3·08	300,000,000	300,000,000	....
Loan Two Years Four Months	Mar. 1, 1953	July 1, 1955	$2\frac{1}{4}$	97·60	3·33			
One Year Loan	Nov. 1, 1952	Nov. 1, 1953	2	99·05	2·97	300,000,000	300,000,000	....
Two Years $1\frac{1}{2}$ Months Loan	Nov. 1, 1952	Dec. 15, 1954	2	97·75	3·10	150,000,000	150,000,000	....
Twenty-Five Year Loan	Jan. 15, 1953	Jan. 15, 1978	$3\frac{3}{4}$	98·00	3·87	100,000,000	....	100,000,000
Canada Savings Bonds Series VII Net	Nov. 1, 1952	Aug. 1, 1963	$3\frac{3}{4}$	98·9375	....	334,000,000	....	334,000,000
Increase in Treasury Bills	Various	Various	Various	Various	Various	150,000,000	....	150,000,000
						1,334,000,000	750,000,000	584,000,000
GRAND TOTAL	....	....	....	....	....	3,334,000,000	2,650,000,000	684,000,000

Indirect or Contingent Liabilities

It should be noted that the Government has certain indirect or contingent liabilities which are in addition to the direct debt set out in the balance sheet. Included under this heading, for example, are the Government's guarantees of certain securities issued by various Government owned enterprises such as the Canadian National Railways, the Canadian National (West Indies) Steamships, Limited, and the Saint John Harbour Commission; the guarantee of deposits maintained by the chartered banks in the Bank of Canada; guarantees of certain loans made by chartered banks to veterans or farmers for certain authorized purposes; guarantees under the Export Credits Insurance Act; and certain commitments under the housing legislation.

The following table gives details of the bonds and debenture stocks guaranteed by the Government, and also indicates the nature and approximate extent of the Government's other guarantees and contingent liabilities.

BONDS AND DEBENTURE STOCKS GUARANTEED BY THE GOVERNMENT
AS AT MARCH 31, 1953

Date of Maturity	Issue	Interest Rate	Estimated Amount Outstanding
		%	$
July, 10 1953..	Canadian Northern	3	1,162,768
Feb. 1, 1954..	Canadian National	5	50,000,000
May 1, 1954..	City of Saint John Debentures assumed by Saint John Harbour Commissioners	5¼	3,329
Mar. 1, 1955..	Canadian National (West Indies) Steamships Limited	5	9,400,000
June 15, 1955..	Canadian National	4¾	48,496,000
Feb. 1, 1956..	Canadian National	4½	67,368,000
July 1, 1957..	Canadian National	4½	64,136,000
July 20, 1958..	Canadian Northern	3½	5,636,506
Jan. 15, 1959..	Canadian National	3	35,000,000
May 4, 1960..	Canadian Northern Alberta	3½	550,727
May 19, 1961..	Canadian Northern Ontario	3½	3,597,518
Jan. 1, 1962..	Grand Trunk Pacific	3	26,465,130
Jan. 1, 1962..	Grand Trunk Pacific	4	7,999,074
Jan. 3, 1966..	Canadian National	3	35,000,000
Jan. 2, 1967..	Canadian National	2¾	50,000,000
Sept. 15, 1969..	Canadian National	2⅞	70,000,000
Jan. 16, 1971..	Canadian National	2⅞	40,000,000
June 15, 1975..	Canadian National	2¾	6,000,000
Perpetual......	Grand Trunk Debenture Stock	5	1,016,092
Perpetual......	Great Western Debenture Stock	5	499,709
Perpetual......	Grand Trunk Debenture Stock	4	5,446,783
Perpetual......	Northern Railway of Canada Debenture Stock	4	22,591
			527,800,227

Other Outstanding Guarantees and Contingent Liabilities

	Estimated Amount Outstanding
Deposits maintained by the chartered banks in the Bank of Canada (December 31, 1952)	$ 626,629,981
Bank advances *re* Province of Manitoba Savings Office (January 31, 1953)	3,140,078
Province of Manitoba Treasury Bill (March 31, 1953)	1,250,000
Loans made by chartered banks under the Farm Improvement Loans Act, 1944 (November 30, 1952)	34,968,542
Loans made by chartered banks under the Veterans' Business and Professional Loans Act (September 30, 1952)	2,075,814
Guarantees under Part II of the Export Credits Insurance Act (March 31, 1953)	10,200,000
Loans made by approved lending institutions under Dominion and National Housing Acts	Indeterminate
Guarantees of land assembly projects under National Housing Act (December 31, 1952)	1,437,402
Loans made by approved lending institutions under Part IV of the National Housing Act, 1944, for home extensions or improvements (December 31, 1952)	7,410
Loans made by chartered banks under The Prairie Grain Producers' Interim Financing Act, 1951 (January 31, 1953)	59,669

7. SUPPLEMENTARY DETAILED TABLES

REVENUES

EXPENDITURES

LOANS AND ADVANCES AND INVESTMENTS

UNMATURED FUNDED DEBT

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS
(thousands of dollars)

—	1948-49	1949-50	1950-51	1951-52	Estimated 1952-53
	$	$	$	$	$
TAX REVENUE—					
Direct Taxes—					
Direct Taxes on Incomes—					
Individual Income Tax	762,564	621,982	652,329	975,776	1,233,000
Less old age security tax transferred to old age security fund	....	....	....	−100	−45,250
Tax on Interest and Dividends	40,965	47,475	61,610	55,017	54,000
Taxes on Rents and Royalties	2,480				
Corporation Income Tax	491,990	603,193	799,197	1,132,680	1,268,000
Less old age security tax transferred to old age security fund	....	....	....	−2,000	−36,850
Excess Profits Tax	44,792	−1,788	10,141	2,365	....
Total Direct Taxes on Incomes	1,342,791	1,270,862	1,523,277	2,163,738	2,472,900
Succession Duties	25,550	29,920	33,599	38,208	38,000
Total Direct Taxes	1,368,341	1,300,782	1,556,876	2,201,946	2,510,900
Indirect Taxes—					
Customs Import Duties	222,975	225,878	295,722	346,365	379,000
Excise Duties—					
Spirits, malt, etc	101,105	107,035	129,390	120,851	136,000
Cigars, cigarettes and tobacco	106,241	115,982	114,486	100,711	124,000
Licences	39	38	38	36	38
Less refunds	−2,733	−2,490	−2,868	−3,658	−3,038
Total Excise Duties	204,652	220,565	241,046	217,940	257,000
Excise Taxes—					
Taxes on Commodities—					
Sales Tax	390,174	415,222	470,627	611,492	726,000
Less old age security tax transferred to old age security fund	....	....	....	−24,298	−142,000
Automobiles, rubber tires and tubes	36,943	38,193	70,841	100,904	87,000
Beverages (soft drinks)	27,689	1,627	7,212	19,230	13,000
Candy and chewing gum	19,888	1,030	10,880	11,531	13,200
Cigars, cigarettes and tobacco	77,665	83,497	85,199	106,354	107,500
Cigarette papers and tubes	6,999	7,223	7,734	423	....
Electric and gas appliances	3,894	....	2,080	4,893	4,500
Furs	3,693	2,937	4,509	4,793	5,200
Matches and lighters	3,412	1,091	1,161	1,855	1,700
Phonographs, radios and television sets	3,562	3,101	5,548	8,252	10,000
Special excise on importations	279	....	....	....	....
Stoves, washing machines and refrigerators	....	....	....	10,923	1,650
Toilet preparations and soaps	7,757	4,316	4,551	8,467	8,000
Trunks, bags, luggage, etc	5,565	2,257	2,604	3,969	3,800
Wines	2,060	2,126	2,225	2,167	2,100
Jewellery, ornaments, etc	....	4,077	6,459	9,714	8,000
Sundry	4,700	2,310	4,327	7,173	6,300
Taxes on Amusements and Services—					
Amusements	2,483	....	....	....	....
Tax on pari-mutuel bets	105	....	....	....	....
Transportation and communication	29,034	3,967	....	....	....
Stamps on cheques, money orders, etc	22,725	9,898	10,945	11,346	11,500
Licences, interest and miscellaneous	382	370	372	463	500
Less refunds (mainly sales tax)	−12,871	−11,785	−10,506	−13,723	−16,000
Total Excise Taxes	636,138	571,457	686,768	885,928	851,950

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS—*Concluded*
(thousands of dollars)

—	1948-49	1949-50	1950-51	1951-52	Estimated 1952-53
	$	$	$	$	$
TAX REVENUE—*Concluded*					
Other Taxes—					
Chartered bank note circulation.....	166	121	....	....	....
Insurance premiums................	3,339	3,789	4,228	4,753	10,700
Miscellaneous......................	531	525	710	843	800
Total Indirect Taxes...............	1,067,801	1,022,335	1,228,474	1,455,829	1,499,450
Total Revenue from Taxes..........	2,436,142	2,323,117	2,785,350	3,657,775	4,010,350
NON-TAX REVENUE—					
Post Office........................	80,604	84,512	90,443	104,610	111,750
Return on Investments.............	107,889	91,529	89,529	117,622	116,000
Bullion and coinage................	3,253	4,523	4,708	4,838	4,200
Premium, discount and exchange......	....	....	17,562	17,697	6,800
Other.............................	21,202	25,035	31,106	37,205	45,025
Total Non-Tax Revenue.............	212,948	205,599	233,348	281,972	283,775
Total Ordinary Revenue............	2,649,090	2,528,716	3,018,698	3,939,747	4,294,125
SPECIAL RECEIPTS AND CREDITS—					
Sale of surplus Crown Assets..........	25,840	16,351	19,613	14,712	7,759
Central Mortgage and Housing Corporation—					
Profits paid to Receiver General....	2,160	4,241	2,862	3,144	2,016
Proceeds and depreciation reserve with respect to the sale of wartime housing properties	1,104	2,535	4,351	9,843	6,520
Refundable portion of income tax and excess profits tax—Transfer to revenue of excess reserves set up in previous years....................	....	....	25,000	7,367	....
Transfer to revenue of portion of the balance of provincial 5 per cent corporation income tax suspense account pursuant to the 1952 tax rental agreements.................	....	....	....	....	45,000
Investment in Crown plants transferred to Active Assets..............	2,528	....	....	....	4,794
Miscellaneous Special Receipts.........	88,223	28,199	40,318	6,020	13,914
Non-Active Accounts—					
Refunds of previous years capital expenditure......................	82	67	125	71	500
Transfer from capital to Consolidated Deficit Account (Contra)......	2,243	....	....	....	....
Reduction in indebtedness, National Harbours Board..................	....	12	119	....	....
Repayment of loan made under Relief Acts, Canadian Pacific Railway..............................	....	....	1,447	....	....
Reduction in indebtedness, Canadian National (West Indies) Steamships, Limited............................	80	....	....	....	....
Repayment of Seed Grain and Relief loans.............................	45	20	....	....	....
Repayment of Soldier Settlement Loans.............................	....	....	3	5	....
Total Special Receipts and Credits....	122,305	51,425	93,838	41,162	80,503
TOTAL REVENUE.......................	2,771,395	2,580,141	3,112,536	3,980,909	4,374,628

STATEMENT OF EXPENDITURES BY DEPARTMENTS AND MAJOR CATEGORIES FOR THE LAST FIVE FISCAL YEARS

(thousands of dollars)

—	1948-49	1949-50	1950-51	1951-52	Estimated 1952-53
	$	$	$	$	$
Agriculture—					
Administration and general	538	644	692	733	822
Science Service	4,358	6,061	7,093	7,490	8,830
Experimental Farms Service	5,087	5,810	7,140	7,729	8,497
Production Service	6,504	8,394	8,774	8,837	8,978
Marketing Service	3,890	4,387	4,936	4,555	5,035
Rehabilitation and reclamation projects	6,285	8,846	13,212	11,813	13,880
Freight assistance on western feed grains	18,154	16,764	15,638	14,999	21,000
Premium on hog carcasses suitable for export to United Kingdom	4,585	4,982	5,100	5,374	6,225
Advances to Prairie Farm Emergency Fund	8,640	13,138	4,304	....	....
Payment to Canadian Wheat Board for distribution to producers	....	....	65,000	....	....
Net operating loss—Agricultural prices support account	1,061	3,473	3,485	1,743	42,000
Other Expenditure	2,671	2,548	7,411	3,861	2,075
	61,773	*75,047*	*142,785*	*67,134*	*117,342*
Auditor General's Office	533	562	574	601	575
Canadian Broadcasting Corporation	3,921	2,772	2,405	8,301	8,342
Office of the Chief Electoral Officer	287	4,456	278	368	456
Citizenship and Immigration—					
Administration and General	....	376	531	1,114	1,173
Immigration Branch	5,607	4,957	5,578	8,073	7,443
Indian Affairs Branch	10,576	12,368	14,564	14,054	15,074
	16,183	*17,701*	*20,673*	*23,241*	*23,690*
Civil Service Commission	1,364	1,513	1,580	1,692	1,946
Defence Production—					
Administration and general	....	....	....	8,284	10,114
Capital assistance to defence industry	....	....	....	22,695	83,857
	....	....	....	*30,979*	*93,971*
External Affairs	6,655	7,050	7,660	8,490	9,474
Membership in Commonwealth and International Organizations	2,048	2,671	2,962	2,724	3,479
Assistance to Other Countries and International Organizations	5,811	6,959	11,458	26,369	26,128
	14,514	*16,680*	*22,080*	*37,583*	*39,081*
Finance—					
Departmental administration and general	4,987	5,448	7,354	8,361	8,536
Office of the Comptroller of the Treasury	11,103	11,140	11,345	12,554	13,367
Interest on public debt	465,138	439,816	425,217	432,423	447,492
Additional amount required to place interest on public debt on accrual basis	....	....	....	87,510	....
Cost of issuing new loans and annual amortization of bond discounts and commissions	9,745	10,546	13,354	10,717	12,909
Servicing of public debt	331	478	449	385	540
Subsidies to Provinces	17,095	19,170	18,735	20,108	20,108
Compensation to Provinces—					
Tax Rental Agreements, 1947 Act	84,387	76,881	94,123	96,868	23,795
Tax Rental Agreements, 1952 Act	....	....	....	....	284,778
Transfer of certain public utility tax receipts, sec. 7, 1947 Tax Rental Agreements Act	....	1,375	4,565	3,732	....
Transfer of certain public utility tax receipts, sec. 6, 1952 Tax Rental Agreements Act	....	....	....	....	3,700
Transitional grant to Newfoundland	....	6,500	6,500	6,500	5,650
Government contribution to the Superannuation Account—General	4,050	5,461	6,831	12,911	13,802
—Special	....	....	75,000	98,000	25,000
Grants to Universities	....	....	....	6,993	7,151
Implementation of guarantees (Ming Sung Industrial Co. Ltd.)	....	....	....	1,346	1,695
Premium Discount, and Exchange	111	19,740	....	....	....

STATEMENT OF EXPENDITURES BY DEPARTMENTS AND MAJOR CATEGORIES FOR THE LAST FIVE FISCAL YEARS—*Continued*

(thousands of dollars)

—	1948-49	1949-50	1950-51	1951-52	Estimated 1952-53
	$	$	$	$	$
Finance—*Concluded*					
Wartime Prices and Trade Board—					
Administration	3,321	2,567	1,599	155	....
Commodity Prices Stabilization Corporation Limited	14,911	....	....	50	30
Advances for payment of drawback claims to millers and other manufacturers of wheat products	11,000	400	....	....	....
Grant re Red River Valley flood	....	....	12,500	....	....
Provision for reserve for possible losses on ultimate realization of active assets	75,000	75,000	75,000	75,000	75,000
Assumption of part of Newfoundland debt under Terms of Union	....	62,293	....	....	....
Write-down from Active to Non-Active Assets—Trading losses in Securities Investment Account	....	8,299	....	....	....
Soybean Flour Suspense Account	....	126	....	....	....
	701,179	*745,240*	*752,572*	*873,613*	*943,553*
Fisheries	5,423	7,586	8,964	8,733	11,395
Governor General and Lieutenant Governors	242	274	244	275	349
Insurance	263	311	369	403	463
Justice	4,025	4,268	4,609	5,103	5,767
Office of the Commissioner of Penitentiaries	5,863	6,691	7,798	8,936	9,545
	9,888	*10,959*	*12,407*	*14,039*	*15,312*
Labour	9,860	9,770	9,030	9,503	9,964
Government Annuities—Amount required to maintain reserve	11,408	1,256	660	940	1,000
Unemployment Insurance Act, 1940—					
Administration and general	19,056	24,033	26,805	23,919	25,410
Government contribution	20,103	21,084	26,133	29,940	31,250
	60,427	*56,143*	*62,628*	*64,302*	*67,624*
Legislation—					
House of Commons	2,629	3,765	3,332	4,302	4,130
Library of Parliament	126	127	137	153	244
Senate	736	1,178	976	1,227	1,103
General	272	159	266	263	290
	3,763	*5,229*	*4,711*	*5,945*	*5,767*
Mines and Technical Surveys	9,481	9,839	10,442	10,779	12,495
Dominion Coal Board	2,164	4,357	3,561	5,132	6,526
Emergency Gold Mining Assistance	9,433	13,716	7,114	11,841	10,700
Write-down from Active to Non-Active Assets—Abasand Oils Limited	....	1,802	....	....	....
	21,078	*29,714*	*21,117*	*27,752*	*29,721*
National Defence—					
General	234	383	901	277	292
Defense Forces, Army, Navy and Air Services	238,915	348,050	545,738	1,217,579	1,516,387
Mutual aid to NATO countries	....	....	195,417	126,416	234,685
Defence Research and Development	16,033	22,389	23,415	35,394	41,721
Pensions—					
Payments under Defence Services Pension Act	5,756	5,011	5,011	5,096	5,172
Government contribution to Permanent Services Pension Account	7,867	9,046	11,975	30,712	30,009
Contribution towards Military Costs of NATO	....	....	....	....	16,900
	268,805	*384,879*	*782,457*	*1,415,474*	*1,845,166*
National Film Board	1,958	2,123	2,308	2,662	2,920
National Health and Welfare	14,412	16,901	17,344	21,098	24,935
General health grants	7,528	15,716	18,875	24,322	31,000
Family allowances	270,910	297,514	309,465	320,458	334,125
Old age pensions including pensions to blind persons	66,764	93,189	103,169	80,206	....
Old age assistance and blind persons allowances	....	....	....	2,999	22,122
Deficit—old age security fund	....	....	....	49,669	....
	359,614	*423,320*	*448,853*	*498,752*	*412,182*

STATEMENT OF EXPENDITURES BY DEPARTMENTS AND MAJOR CATEGORIES FOR THE LAST FIVE FISCAL YEARS—*Concluded*

(thousands of dollars)

—	1948-49	1949-50	1950-51	1951-52	Estimated 1952-53
	$	$	$	$	$
National Research Council and Atomic Energy Control Board	13,082	16,170	18,014	25,080	29,249
National Revenue, including Taxation Division	45,402	47,832	46,056	45,763	47,665
Post Office	77,643	82,640	91,781	97,973	106,153
Privy Council, including Prime Minister's Office	4,457	4,128	4,250	4,058	3,740
Public Archives	173	198	206	251	305
Public Printing and Stationery	753	866	706	1,103	1,704
Public Works	51,067	67,058	73,646	77,544	81,000
Reconstruction and Supply	2,822	....	....	....	....
Resources and Development	12,402	23,266	21,688	18,978	22,597
Trans-Canada Highway contributions	....	....	7,205	12,792	13,000
	12,402	*23,266*	*28,893*	*31,770*	*35,597*
Royal Canadian Mounted Police	13,717	15,971	19,801	27,341	32,077
Secretary of State	1,559	1,600	2,065	2,399	2,231
Trade and Commerce	36,755	25,761	23,443	21,817	17,095
Deficits incurred by the Canadian Wheat Board covering operations for Government account	4,454	4,471	2,536	....	....
Deficit—Trans-Canada Air Lines	2,933	4,318	1,325	....	....
Non-Active Assets— Write off—St. Malo Shops and Miscellaneous Property	2,243	....	....	....	....
	46,385	*34,550*	*27,304*	*21,817*	*17,095*
Transport—					
Administration and general	3,525	3,808	2,528	3,179	7,068
Canals Service	4,662	6,198	8,290	7,991	9,977
Marine Service	12,627	17,537	17,187	17,465	22,604
Railway Service	3,838	4,488	1,981	2,306	7,817
Maritime Freight Rates Act	6,606	6,982	8,475	10,030	10,245
Air Services	28,182	34,115	33,553	36,298	40,641
Steamship Subventions, including Canadian Maritime Commission	2,166	2,277	5,899	4,461	4,036
Deficits—					
Canadian National Railways	33,533	42,043	3,261	15,032	....
Canadian National (West Indies) Steamships Limited	....	461	1,029	467	....
Prince Edward Island Car Ferry and Terminals	1,220	1,221	1,267	1,365	1,520
North Sydney—Port aux Basques Ferry and Terminals	....	....	....	....	1,800
National Harbours Board	238	83	188	55	57
Non-Active Assets— National Harbours Board	1,739	4,236	1,465	1,252	1,879
	98,336	*123,449*	*85,123*	*99,901*	*107,644*
Veterans Affairs—					
Administration and general	3,628	3,850	2,385	2,513	2,940
Pensions	102,951	96,091	95,577	103,703	127,103
Treatment and after-care of returned soldiers and allowances to dependents	69,565	69,507	71,646	76,097	79,444
Hospital accommodation, additions, alterations and improvements	5,095	3,811	3,008	3,758	4,247
Post discharge rehabilitation benefits	44,826	25,099	13,502	6,594	3,956
War service gratuities and re-establishment credits	36,148	22,641	16,868	9,826	11,072
Soldier Settlement and Veterans Land Acts	8,035	7,383	6,282	5,922	5,667
Provision for reserve for conditional benefits under Veterans Land Act	5,631	6,496	7,110	7,600	8,050
Write-down of Assets— Soldier Settlement and Veterans Land Acts Loans	1,000	11,500	14	13	18
	276,879	*246,378*	*216,392*	*216,026*	*242,497*
Total Expenditure	2,175,892	2,448,615	2,901,242	3,732,875	4,326,812

ANNUAL CHANGES IN ACTIVE LOANS AND INVESTMENTS FOR THE LAST FIVE FISCAL YEARS

(In thousands of dollars)

—	Fiscal Year Ended March 31				
	1949	1950	1951	1952	Estimated 1953
	$	$	$	$	$
Working Capital Advances to Crown Corporations					
Canadian Arsenals, Ltd.	2,500	....	2,500	....	....
Canadian Commercial Corporation	1,000	....	....	6,500	....
Canadian Patents and Development, Ltd.	....	296	....	Cr. 296	....
Commodity Prices Stabilization Corporation	Cr. 14,911	Cr. 3,000	Cr. 1,500	Cr. 50	....
Crown Assets Disposal Corporation	Cr. 108	Cr. 1,183	....	Cr. 45	Cr. 212
Defence Construction 1951, Ltd.	....	....	....	....	3,327
	Cr. 11,519	Cr. 3,887	1,000	6,109	3,115
Loans to, and Investments in, Crown Agencies					
Central Mortgage and Housing Corporation—					
Loans	68,000	91,460	79,389	73,624	75,849
Canadian Broadcasting Corporation	1,250	4,500	650	850	2,000
Canadian Farm Loan Board	1,050	1,950	1,900	1,300	1,550
National Harbours Board	213	20,382	1,004	227	Cr. 10
Railway and Steamship Companies	4,067	Cr. 20,963	20,188	139,848	124,812
Other Crown Agencies	4,615	Cr. 1,295	Cr. 840	Cr. 392	11,064
	79,195	96,034	102,291	215,457	215,265
Other Loans and Investments					
Provincial and Municipal Governments	Cr. 5,376	Cr. 4,031	Cr. 3,180	Cr. 4,129	Cr. 3,783
United Kingdom and Other Governments—					
United Kingdom—Loan under The War Appropriation (U.K. Financing) Act, 1942	Cr. 29,487	Cr. 9,936	Cr. 40,567	Cr. 31,092	Cr. 14,291
United Kingdom Financial Agreement Act, 1946—Loan	37,000	120,000	20,000	Cr. 14,010	Cr. 23,457
Export Credits Insurance Act	68,196	Cr. 10,964	Cr. 22,935	Cr. 20,657	Cr. 19,054
Other	2,060	5,541	144	5,461	Cr. 1,720
Canada's subscription to capital of—					
International Monetary Fund	....	22,500	....	....	....
International Bank for Reconstruction and Development	....	5,658	....	170	....
Miscellaneous—					
Loans to veterans under the Soldier Settlement and Veterans' Land Acts	16,270	796	7,515	1,521	Cr. 1,038
Balances receivable under agreements of sale of Crown Assets	Cr. 1,230	Cr. 2,889	Cr. 1,043	Cr. 936	901
Other miscellaneous loans	Cr. 588	Cr. 812	Cr. 54	2,957	Cr. 648
	86,845	125,863	Cr. 40,120	Cr. 60,715	Cr. 63,090
Sinking Fund and Other Investments held for retirement of unmatured funded debt	....	....	5,499	3,201	1,230
Net Total of Changes in Loans and Investments	154,521	218,010	68,670	164,052	156,520

UNMATURED FUNDED DEBT AND TREASURY BILLS AS AT MARCH 31, 1953, AND THE ANNUAL INTEREST PAYABLE THEREON

Date of Maturity	Rate Per Cent	Where Payable	Amount of Loan	Annual Interest Charge
			$ cts.	$ cts.
1953, May 1	1¾	Canada	200,000,000 00	3,500,000 00
May 15	1¾	Canada	200,000,000 00	3,500,000 00
September 1	1¾	Canada	550,000,000 00	9,625,000 00
November 1	2	Canada	200,000,000 00	4,000,000 00
November 1	2	Canada	300,000,000 00	6,000,000 00
1954, March 1	3	Canada	(1) 676,355,489 00	20,089,767 00
December 15	2	Canada	395,000,000 00	7,900,000 00
December 15	2	Canada	150,000,000 00	3,000,000 00
1956, July 1	2¼	Canada	400,000,000 00	9,000,000 50
November 1	3	Canada	(2) 855,607,410 50	25,414,081 00
November 1	2¾	Canada	* 171,000,000 00	4,702,500 50
1957, May 1	3	Canada	1,111,261,650 00	33,337,849 00
November 1	2¾	Canada	* 90,000,000 00	2,475,000 00
1958, June 1	3	Canada	88,200,000 00	2,646,000 00
September 1	4	London	(3) 1,740,026 93	69,601 08
November 1	2¾	Canada	* 85,000,000 00	2,337,500 00
1959, January 1	3	Canada	1,197,324,750 00	35,919,742 50
November 1	2¾	Canada	* 124,000,000 00	3,410,000 00
1960, June 1	3	Canada	1,165,300,350 00	34,959,010 50
November 1	2¾	Canada	* 113,000,000 00	3,107,500 00
1961, January 15	3¼	New York	(4) 46,560,000 00	1,513,200 00
1962, February 1	3	Canada	1,315,639,200 00	39,469,176 00
August 1	3½	Canada	* 243,000,000 00	8,505,000 00
1963, July 1	3¼	London	(3) 1,925,370 53	62,574 54
July 1	3	London	(3) 48,497,140 72	1,454,914 22
August 1	3	New York	(4) 145,500,000 00	4,365,000 00
August 1	3¾	Canada	* 334,000,000 00	12,525,000 00
October 1	3	Canada	1,295,819,350 00	38,874,580 50
1966, June 1	3¼	Canada	54,703,000 00	1,777,847 50
September 1	3	Canada	1,691,796,700 00	50,753,901 00
1968, June 15	2¾	Canada	350,000,000 00	9,625,000 00
1974, September 1	2¾	New York	(4) 97,000,000 00	2,667,500 00
1975, September 15	2¾	New York	(4) 48,500,000 00	1,333,750 00
1978, January 15	3¾	Canada	100,000,000 00	3,750,000 00
Perpetuals	3	Canada	55,000,000 00	1,650,000 00
Various Treasury Bills	Various	Canada	600,000,000 00	8,683,500 00
Various War Savings Certificates	3	Canada	* 35,900,000 00	1,077,000 00
Various	Various	Canada	300,000,000 00	* 6,375,000 00
			14,837,630,437 68	409,456,495 84
Payable in Canada			14,447,907,899 50	97·38%
Payable in London			52,162,538 18	0·35%
Payable in New York			337,560,000 00	2·27%
			14,837,630,437 68	100·00%

(1) Redeemable at 101 per cent. Amount outstanding includes $6,696,589.00 redemption bonus.
(2) Redeemable at 101 per cent. Amount outstanding includes $8,471,360.50 redemption bonus.
(3) Conversion rate estimated at $2.725 to the £ sterling.
(4) Conversion rate estimated at $0.97 U.S. to the dollar Canadian.
(*) Estimated.